

STATE OF ARIZONA
CHILD AND ADULT CARE FOOD PROGRAM
POLICY MANUAL

FOR

SPONSORING ORGANIZATIONS OF
DAY CARE HOMES

Revised 05/02/02

Arizona Department of Education
Student Services
Child Nutrition Programs
1535 West Jefferson, Bin #7
Phoenix, Arizona 85007
<http://www.ade.state.az.us/health-safety/cnp/>

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**Arizona Department of Education - Child and Adult Care Food Program
(CACFP)
Day Care Homes Policy Manual**

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INTRODUCTION

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Section 1

Introduction

1.1

CACFP Goals

Good nutrition, the development of healthful eating habits and learning about food choices are vital developmental building blocks for young children. Provisions must be made to ensure that these building blocks are in place, to promote good health throughout life. Increasing numbers of young children receive a majority or a significant proportion of their food in child care settings.

Those responsible for feeding children in family child care homes have a great and important responsibility:

- ✓ To serve wholesome and attractive meals that meet children's nutritional needs; and
- ✓ To make meal time a pleasant and sociable experience.

Sharing in this responsibility is the staff of the Sponsoring Organizations of family child care homes and the Child and Adult Care Food Program (CACFP). The CACFP is a U.S. Department of Agriculture program which is administered in Arizona by the State Department of Education.

This policy manual is designed to give Sponsoring Organizations of family child care homes instructions on how to administer the CACFP and to help ensure that nutritious meals are served to children in participating homes.

Section 1

Introduction

1.2

Program History

The Child and Adult Care Food Program (CACFP) was established by Congress in 1968 to provide meals to children in child care centers, settlement houses, and recreation centers. The program was created in response to the need to provide good nutrition to children in low-income areas where there were large numbers of working mothers.

Congress passed another law in 1978 to make the program permanent and to ensure that the program continued to provide high quality nutrition to enrolled children. Under this law, any public or private nonprofit institution that is licensed or approved to care for children may participate in the program. This includes child care centers, outside-school-hours programs, family and group child care homes, and institutions providing care for individuals with developmental disabilities.

Private, for-profit organizations receiving compensation from Title XX of the Social Security Act became eligible to participate in 1981. This eligibility requires not less than 25 percent of the children enrolled in each calendar month to be Title XX beneficiaries.

Another provision of the 1981 policy change allowed all eligible nonresidential institutions to receive reimbursement for providing meals to children 12 years of age and younger. The age limit for the children of migrant workers was established as 15 years of age and younger. Individuals with developmental disabilities, as defined by states, may participate in the CACFP if they are enrolled in a child care center or facility that serves participants primarily 21 years of age and under.

The program was further expanded in 1988 to allow certain licensed adult day care centers to participate. In 1990, the overall program name changed to Child and Adult Care Food Program (CACFP) grouping both the Child Care Food Program and Adult Care Food Program under the umbrella of CACFP.

P. L. 104-193, The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, significantly changed the reimbursement structure of the CACFP for family and group child care homes. A two tiered system of reimbursement was established in an effort to target low income families for higher reimbursement rates.

Reauthorization of the Program in 1998 brought additional expansion opportunities primarily for participating child centers in the form of reimbursement for snacks served to at-risk children in after school programs. The late 1990's saw the advent of Management Improvement Guidance (MIG) developed in an effort to train Sponsoring Organization personnel and providers of child care services on practices intended to improve program integrity.

The passage of P.L. 106-224 in June of 2000 introduced additional Program integrity requirements as a response to concerns over fraud and abuses detected by the USDA Office of Inspector General and State Agencies during routine and unannounced reviews.

Section 1

Introduction

1.3

Program Administration

The Food and Nutrition Service (FNS) administers the nutrition assistance programs of the U.S. Department of Agriculture. FNS's goals are to provide needy people with access to a more nutritious diet, to improve the eating habits of the nation's children, and to stabilize farm prices through the distribution of surplus foods.

FNS has elevated nutrition and nutrition education to a top priority among all its programs. Rather than simply providing food, FNS also works to empower program participants with knowledge of the link between diet and health. Diet and health are inextricably linked, and good nutrition is a key preventive health measure. It is vital that people understand the need for a healthful diet and have the means to achieve it.

The agency was established August 8, 1969, but many of the food programs originated long before FNS existed as a separate agency. The Food Stamp Program, now the cornerstone of USDA's nutrition assistance, was begun in its modern form in 1961, but it originated as the Food Stamp Plan to help the needy in the 1930's. The National School Lunch Program also has its roots in Depression-era efforts to help low-income children. The Needy Family Program, which has evolved into the Food Distribution Program on the Indian Reservations, was the primary means of food assistance during the Great Depression.

FNS works in partnership with the States in all its programs. States determine most administrative details regarding distribution of food benefits and eligibility of participants, and FNS provides funding to cover most of the States' administrative costs.

FNS administers the following nutrition assistance programs:

Food Stamp Program

Initiated as a pilot program in 1961 and made permanent in 1964, the program issues monthly allotments of coupons that are redeemable at retail food stores, or provide benefits through electronic benefits transfer (EBT). Eligibility and allotments are based on household size, income, assets, and other factors.

Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

WIC's goal is to improve the health of low-income pregnant, breastfeeding and non-breastfeeding postpartum women, infants and children up to 5 years old. WIC provides supplemental foods, nutrition education, and access to health services. Participants receive vouchers that can be redeemed at retail food stores for specific foods that are rich sources of the nutrients frequently lacking in the diet of low-income mothers and children.

1.3 Program Administration, continued

National School Lunch Program

The National School Lunch Program provides cash reimbursements and commodity foods to help support non-profit food services in elementary and secondary schools, and in residential child care institutions.

School Breakfast Program

As in the school lunch program,. Low-income children may qualify to receive school breakfast free or at reduced price, and schools are reimbursed according to the number of meals served in each category.

Summer Food Service Program

The Summer Food Service Program was developed to provide meals to children in low-income areas during periods of time when schools were out of sessions. All meals are served free and the sponsoring organizations are reimbursed for the number of meals served.

The Emergency Food Assistance Program

TEFAP was designed to reduce inventories and storage costs of surplus commodities through distribution to needy households.

Child and Adult Care Food Program

This program provides cash reimbursements and commodity foods for meals served in child and adult day care centers, and family and group day care homes for children.

The WIC Farmers' Market Nutrition Program

The Farmers' Market Nutrition Program was established in 1992 to provide WIC participants with increased access to fresh produce. WIC participants are given coupons to purchase fresh fruits and vegetables at authorized local farmers markets.

Commodity Supplemental Food Program

A direct food distribution program with a target population similar to WIC, CSFP also serves the elderly. As with the WIC program, food packages are tailored to the nutritional needs of participants.

Special Milk Program

Children in schools, summer camps and child care institutions that have no federally supported meal program receive milk through the Special Milk Program.

Food Distribution Program on Indian Reservations and the Trust Territories

Provides commodity foods to Native American families who live on or near Indian reservations, and to Pacific Islanders. Also known as the Needy Family Program, this is the oldest FNS program. It dates back to the Great Depression of the 1930's, when it was the primary source of Federal food assistance to needy people.

1.3 Program Administration, continued

Nutrition Program for the Elderly

Provides cash and commodity foods to States for meals for senior citizens. The food is served in senior citizen centers or delivered by meals-on-wheels programs.

Commodity Distribution to Charitable Institutions and to Soup Kitchens and Food Banks

Commodities from USDA surplus stocks are provided as available to non-profit charitable institutions that serve meals to needy persons regularly. The variety and dollar value of the foods donated varies according to market conditions.

Nutrition Assistance Program, Puerto Rico and the Northern Marianas

The Food Stamp Program in Puerto Rico and the Northern Marianas was replaced in 1982 by a block grant program. The two territories now provide cash and coupons to participants rather than food stamps or food distribution.

Homeless Children Nutrition Program

Homeless Shelters may be reimbursed for meals served to children under the age of 6 under the Homeless Children Nutrition Program (HCNP) and may be reimbursed for meals served to children under the age of 19 in the Summer Food Service Program.

After School Care Programs

Allows schools and non-school entities that provide care for “at risk” children during after school hours, on weekends and holidays in programs with an educational or enrichment purpose to serve snacks at no charge to children through age 18 under the CACFP.

Program administration is carried out through various State Agencies under the guidance of one of USDA’s seven regional offices. Arizona is located in the Western Region.

The regional office address is:

USDA, Western Region Office
Food and Nutrition Service Child and Adult Care Food Program
550 Kearny St., Room 400
San Francisco, CA 94108-2518

The Arizona Department of Education, Student Service, is the State Agency (SA) administering the CACFP in Arizona. The office address is

Arizona Department of Education
Student Services
1535 W. Jefferson
Phoenix, AZ 85007
Phone: (602) 542-8700 Fax: (602) 542-3818
Web Site: <http://www.ade.state.az.us/health-safety/cnp/cacfp/>
Arizona Department of Education Accounting Department: (602) 542-4277

Section 1 Introduction

1.4 Assistance Available

Through the CACFP State Agency staff, the following assistance can be expected from Sponsoring Organizations:

- Training on Program rules and regulations, recordkeeping requirements, application procedures, food service operations, meal service techniques, nutrition topics and financial management;
- Compliance reviews to ensure that program operation is in accordance with federal and state regulations and policies;
- Technical assistance and consultation as needed;
- Audit requirement information;
- Timely response to questions and concerns;
- Payment of claims within the federally mandated time requirement;
- Forms, publications and policies to help in the management of the program;
- Appeal procedures to dispute decisions affecting reimbursement or participation;
- Timely communication on information affecting program management.

Additional information and resources on nutrition can also be obtained from:

- Arizona Prevention Resource Center (APRC) – 641 East VanBuren Phoenix, Arizona
602-727-2772

Section 1 Introduction

1.5 Definitions and Acronyms Used in CACFP

Acquisition Cost - The net invoice price of expendable or non-expendable personal property acquired by purchase, including any attachments, accessories or auxiliary apparatus necessary to make it usable for the purpose for which acquired. Related costs such as taxes, protective in-transit insurance, freight or installation may also be included.

Administrative Costs – Costs, allowed by the State Agency, incurred by a child care home Sponsoring Organization related to planning, organizing, and managing the CACFP.

Advance Payments - Payments made to sponsors against future reimbursements. They become accounts receivable and are deducted or recovered at the end of the fiscal year.

Agreement - For CACFP purposes is an official contract signed by the State Agency and the Sponsoring Organization's representative. Must be renewed bi-annually. Sponsoring Organizations must also enter into an agreement with all participating child care homes.

Alternate Approval – An unlicensed child care home that has current documentation verifying compliance with the CACFP Child Care Standards for purposes of participation in the Program.

Approved Homes - A child care home that has met alternate approval criteria or has a current certification from the Department of Economic Security, Department of Health Services, Military Facility or Indian Reservation.

Audit - Financial review of the Sponsoring Organization to determine the fiscal integrity of financial transactions according to Office of Management and Budget.

Average Daily Participation - The lunch meal count divided by number of serving days in month.

Budget - Estimate of funds needed to operate for the fiscal year approved by the State Agency.

CACFP Child Care Standards - Standards developed by the United States Department of Agriculture for alternate approval of child care centers, outside-school-hours care centers, and child care homes which are not licensed.

Categorical Eligibility: Identifies a child participant in a federally funded program requiring verification of income that is equal to or less than income eligibility for free and reduced price meals (**Expanded Categorical Eligibility**). A participating home child care provider is determined to be categorically eligible when they participate in the Food Stamp, Food Distribution Program on Indian Reservation (FDPIR) or certain state programs for Temporary Assistance to Needy Families (TANF). Categorical Eligibility establishes Tier I levels of

1.5 Definitions and Acronyms Used in CACFP

reimbursement for participating child care homes and for meals served to children enrolled in Tier II homes.

Certified Home - A child care home that has been certified by the Department of Economic Security or Department of Health Services to provide care and supervision for children.

Child Nutrition Programs (CNP) - Federally funded programs designed to provide needy people access to a more nutritious diet, to improve the eating habits of the nation's children and to stabilize farm prices. These programs are administered through the United States Department of Agriculture.

Child Care Center - Any proprietary (for profit) center receiving Title XX benefits where at least 25 percent of enrolled children, or of the licensed capacity, receive such benefits, or any public or private nonprofit organization licensed to provide nonresidential child care services to enrolled children, primarily of preschool age, including but not limited to: child care centers, settlement houses, neighborhood centers, Head Start centers and organizations providing child care services for handicapped children. Child care centers may participate in the program as independent centers or under the auspices of a sponsoring organization.

Child Care Facility - A licensed or approved child care center, child care home, or outside-school-hours care center under the auspices of a Sponsoring Organization.

Child Care Home - An organized nonresidential child care program for children enrolled in a private home, licensed or approved as a family or group child care home and under the auspices of a Sponsoring Organization.

Child Protective Services - A program of the Division of Children and Family Services within the Arizona State Department of Economic Security (DES). The role of CPS is to ensure the safety of children while maintaining the integrity of the family.

Claim - Form that Sponsor Organizations and independently participating child care centers submit to request reimbursement for meals served and administrative expenses.

Claiming Percentage: An acceptable methodology for establishing rate of CACFP reimbursement in a participating Mixed Tier II home. The formula is as follows: Number of children eligible for Tier I (or Tier II) divided by total enrollment equals the claiming percentage for that category multiplied by the total number of meals by type served during the month multiplied by the reimbursement rate equals the reimbursement.

Department - The U.S. Department of Agriculture.

Department of Economic Security - (DES) The State agency that certifies homes in the state of Arizona to care for federal and state funded child care recipients.

1.5 Definitions and Acronyms Used in CACFP

Department of Health Services - (DHS) The State agency that has the statutory authority to license child care centers and certify small group homes in the state of Arizona.

Economic Unit: A group of related or unrelated people who share housing and/or all significant income and expenses of its members. Generally individuals residing in the same house are an economic unit. However, more than one economic unit may reside together in the same house.

Eligible Children - (1) Children 12 years of age and under (12 means through the 12th year up to the eve of the 13th birthday), (2) children of migrant workers, 15 years of age and under and (3) individuals with developmental disabilities, as defined by the state, participating in a child care program in which the majority of children are 18 years of age and under.

Enrolled Child - A child whose parent or guardian has submitted to an institution a signed document indicating that the child is enrolled for child care.

Environmental Health Services - (EHS) Federal agency responsible for conducting and ensuring health and safety in child care homes and facilities on Indian Reservations.

Federal Fiscal Year (FY) - A period of 12 calendar months beginning October 1 of any year and ending September 30 of the following year.

Food and Nutrition Service of the USDA - (FNS) The division of the United States Department of Agriculture (USDA) which at the federal level is responsible for administering the Child Nutrition Programs.

Food and Nutrition Service Regional Office - FNSRO (USDA) One of seven USDA regional offices. The San Francisco office administers the Child Nutrition Programs for the Western Region in which Arizona is located.

General Accounting Office - (GAO) The Central Accounting office of the Federal government. This agency sets general guidelines for audit standards.

Group Child Care Home - Home providing care for five to fifteen children certified by the Arizona Department of Health Services. A second care-giver is required when six to ten children are in care. A third caregiver is required when eleven to fifteen children are in care.

Household - A group of related or non-related individuals, who are not residents of an institution or boarding house but who are living as one economic unit.

Income Guidelines - The family-size and income guidelines prescribed annually by the Department on the basis of the USDA's Guideline for Determining Eligibility for Free and Reduced-price meals under the National School Lunch Program and the School Breakfast Program.

1.5 Definitions and Acronyms Used in CACFP

Income to the Program - Any funds used in a Sponsoring Organization's program, including but not limited to: all monies received from other federal, state, intermediate, or local government sources; and other income, including cash donations or grants from organizations or individuals. Program payments from the SA are not considered as income to the program.

Infant Formula (IFF)- Any iron-fortified infant formula, intended for dietary use for infants, served in liquid state at the manufacturer's recommended dilution.

Institution - Means a Sponsoring Organization, child care center, family child care home or outside-school-hours care center which enters into an agreement with the State Agency or a Sponsoring Organization to assume final administrative and financial responsibility for program operations.

Internal Revenue Service (IRS) - The federal agency which grants non-profit, tax-exempt status to sponsoring organizations.

License or Certificate Holder - Child care provider who is responsible for the daily supervision, operation and maintenance of the child care home.

Management Plan - A plan describing the organizational and administrative structure, staff assigned to program management and monitoring, budget, and procedures that will be used to disburse payments to participating child care providers under its program.

Meal - Food served to enrolled children at a participating institution meeting the nutritional requirements set forth in the CACFP regulations. Meals include breakfast, lunch, supper and supplements.

Mixed Tier II Home: A Tier II home that receives some combination of Tier I and Tier II reimbursement rates for meals served to enrolled children. The provider receives Tier I rates for meals served to children who have been determined by the Sponsoring Organization to be eligible based on household income or receipt of categorically eligible benefits, and Tier II rates for meals served to all other children.

Nonexpendable Personal Property - Tangible personal property having a useful life of more than two years and an acquisition cost of \$5000 or more per unit.

Nonprofit - For CACFP purposes, nonprofit means tax exempt under the IRS code of 1954, or currently operating another federal program requiring tax exempt status.

Nonresidential - The same children are not cared for more than 24 hours on a regular basis.

The Office of Inspector General (OIG) - The central auditing and investigative office of the Federal Government.

1.5 Definitions and Acronyms Used in CACFP

Operating Days (OD) - Number of days that a child care home is in operation during the month.

Office of Management and Budget (OMB) - The Federal agency establishing CACFP financial guidance under the Single Audit Act of 1984. This guidance is relative to the implementation of audit requirements for local governmental agencies and non-profit organizations.

Overpayments - An overpayment is funds paid to a sponsoring organization or to a provider by the Sponsoring Organization, constituting more money than the institution is entitled to. Overpayments can be the result of an overclaim, administrative review or audit finding, or for some other documented reason. The SA will notify the Sponsoring Organization in writing if an overpayment is revealed and will be given the opportunity to provide additional information that will help determine the validity for the overpayment.

Personal Property - Property of any kind, except real property. It may be tangible -- having physical existence -- or intangible, having no physical existence such as patents, inventions, and copyrights.

Preapproval Visit - A visit by the Sponsoring Organization to a child care home to train the provider on program requirements and to determine if the provider is eligible to participate in the CACFP.

Program Payments - Financial assistance in the form of start-up payments, advance payments, or reimbursement paid or payable to institutions for operating costs and administrative costs.

Program - The Child and Adult Care Food Program authorized by Section 17 of the National School Lunch Act, as amended.

Provider - Individual who is a family or group child care provider.

Provider's Own Children - All resident children in the household who are part of the economic unit of the household.

Registered Dietitian (RD) - An individual who has completed a minimum of a Baccalaureate degree in dietetics or a related area at an accredited U.S. college or university, completed experiential training, and has demonstrated that knowledge by passing a national credentialing examination. To retain this status, dietitians must fulfill continuing education requirements to update and enhance knowledge and skills.

Recommended Dietary Allowances (RDA) - Are levels of intake of certain essential nutrients considered by the Food and Nutrition Board of the National Research Council/National Academy of Sciences to be adequate to meet the known nutritional needs of practically all healthy persons.

Request for Bid (RFB) - Competitive sealed bids for a fixed price contract.

Request for Proposal (RFP) - Competitive negotiations for a contract.

1.5 Definitions and Acronyms Used in CACFP

Reimbursement - Federal financial assistance paid or payable to institutions for Program costs within the rates assigned by USDA.

Serious Deficiency – A violation of Program regulations that impacts either the financial viability, organizational capability or internal controls which are all necessary for successful Program operation.

Sponsoring Organization (SO) - A nonprofit organization that is responsible for the administration of the CACFP for family and group child care homes.

State Agency (SA) - Arizona Department of Education as designated by the legislative authority of Arizona and approved by the USDA to administer the CACFP.

Start-Up Payments - Financial assistance made available to a new Sponsoring Organization for its administrative expenses associated with initiating successful program operations.

Substitute Caregiver – An approved “back-up” caregiver in the absence of the primary providers of child care services. Substitutes must be fingerprinted and the provider is responsible for the actions of the substitute.

Tiering: Program function performed by Sponsoring Organizations of child care homes to determine rate(s) of reimbursement. Employs strategies in the form of verifying location within elementary school area boundaries or U.S. Census tracts, or verifying participating providers’ household income.

Tier I Home: A participating child care home located in an areas served by a school enrolling elementary students in which at least 50 percent of the total number of children enrolled are certified eligible to receive free or reduced price meals; or a participating child care home that is located in a geographic area based on census data, in which at least 50 percent of the children residing in the area are members of households which meet the income standards for free or reduced price meals. A Tier I home can also be one that is operated by a provider whose household meets the income standards for free or reduced price meals, as determined by the Sponsoring Organization based on a completed free and reduced price application, and whose income is verified by the Sponsoring Organization of the home in accordance with §226.23(h)(6).

Tier II Home: A child care home that does not meet the criteria of a Tier I Home. Sponsoring Organizations are required by law and regulation to allow Tier II home to elect to receive Tier II rates of reimbursement for meals served to all enrolled children, or to attempt to be determined as a Mixed Tier II home.

United States Department of Agriculture - (USDA) The Federal agency responsible for the administration of the Child Nutrition Program.

1.5 Definitions and Acronyms Used in CACFP

VCA – The acronym describing the basic requirements that must be met by a Sponsoring Organization or Institution for purposes of participating in CACFP – Financial Viability, Administrative Capability and Accountability in the form of appropriate Internal Controls.

Western Region - (WR) One of seven USDA regions located in San Francisco. The Western Region includes the states of Arizona, California, Nevada, Idaho, Oregon, Washington, Alaska and Hawaii.

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Section 2

Eligibility Requirements

2.1

Types of Child Care Homes

Child care homes providing non-residential child care qualify for participation in the CACFP if they are one of the following:

- Certified by the Department of Economic Security (DES),
- Licensed as a group home by the Department of Health Services (DHS),
- Alternate Approved through a SO,
- Certified by an Indian Tribe, or
- Certified by the Military

Family and group child care homes are limited to the provider's own private residence, the private residence of another or a rented or unoccupied private residence. Child care homes operating in commercial properties are not eligible to participate in the CACFP as family child care homes.

Family child care home providers are limited to one "home" per provider. In instances where more than one provider operates out of the same residence, both individuals must be certified or Alternately Approved at the same residence, care for different children on different shifts, and each provider must participate under the same Sponsoring Organization.

A DHS group child care home license lists both names of the certificate holder and provider. These names may or may not be the same. The CACFP reimbursement check is always made out to the individual determined to be the provider by the Sponsoring Organization.

Section 2 Eligibility Requirements

2.2 Alternate Approval Criteria

In the absence of state licensing for family child care homes, the State Agency will determine participation requirements for the CACFP which meet the USDA guidelines in the Federal Register, 7 CFR Part 226. Child care home providers must uphold state child care standards as recipients of federal funds.

Alternate Approval providers must:

- Be 18 years of age
- Never have been removed for cause or on the basis of fraud from any publicly funded program
- Have a residential address (P.O. boxes information may be added for mailing purposes)
- Not hold another job during the hours the home is open for care
- Complete the CACFP Child Care Standards Checklist (Exhibit 2-1)
- Receive a satisfactory health/sanitation inspection report from the local health department or it's officially designated representative
- Receive a satisfactory fire/safety survey from the local fire department or it's officially designated representative
- Complete a Fingerprint Card to be processed by DPS (Exhibit 2-3)
- Not have been denied or received a certification or license revocation from DES or DHS due to a criminal background checks.

The Sponsoring Organization must follow all local, county and state laws, codes and ordinances that address the above required inspections. The Sponsor is responsible to gather updated information from all applicable entities and follow the most current standards. The Sponsoring Organization is responsible for documentation of compliance with the above standards to ensure the health, safety and welfare of children utilizing the family child care services. Health inspections, fire inspections and the Child Care Standards checklist must be renewed annually. Providers will be given a six-week grace period in which to complete new fire and health inspections. **The sponsoring organization shall ensure all violations found during annual reviews are corrected within 60 days of the review.** If areas of noncompliance are found in the home and if the provider does not implement the required and documented corrective action, the provider shall be terminated for cause as described in the Sponsoring Organization's termination policy.

Section 2

Eligibility Requirements

2.3

Temporary Emergency and Temporary Duty for Military

A child care home participating on the CACFP cannot provide child care to the same child(ren) for more than 24 hours on a regular basis. Situations may occur when a child(ren) may need to stay 24 hours due to an emergency. When an emergency temporary residential situation occurs, the child(ren) may continue to be considered nonresidential for the CACFP. Reimbursement may be claimed in temporary residential situations for up to three consecutive calendar days (72 hours).

The intent of the CACFP is to serve only nonresidential child(ren) with the exception of a provider's own child(ren). Children who require care for 24 hours or longer are not eligible to participate on the CACFP. Examples of this situation would be firemen who are on duty 3 – 4 days straight and military personnel that may be sent out-of-town for a period of time. An emergency situation in the context of temporary duty of military personnel is addressed as follows:

In some but certainly not all temporary duty situations, the temporary duty is “unexpected”; in those situations, up to three consecutive calendar days may be claimed for reimbursement by the provider. In cases where the duty is anticipated and the military personnel receive sufficient prior notification, the duty is no longer unexpected and the situation is not reimbursable.”

Periodically a parent in the military may routinely leaves his/her child with a provider for 24-hours when s/he is deployed. In this situation, the provider may not claim meals for the child during these periods.

Section 2

Eligibility Requirements

2.4

Providers' Own

“Providers’ Own” is defined as all residential children in the household who are part of the economic unit of the family. An economic unit is a group of related or unrelated people who share housing and all significant income and expenses. When a provider has someone move into the home, the economic unit may change. Children whose parents or guardians have made a contractual agreement, whether formal or informal, with a provider for residential child care and whose relationship with the provider is defined primarily by the child care situation, are not considered the “providers’ own”.

If the answer to each of the following questions is “yes”, the child is eligible as a “providers’ own”. Conversely, if any of the answers is “no”, the child is not considered a “providers’ own”.

1. Is the child actually in residence?
2. Does the provider have actual custodial care for the child regardless of the child’s relationship or legal status relative to the provider?
3. Is the child part of the provider’s household or economic unit?
4. In the case of custodial care, is the period of time indefinite?
5. Is the provider’s household or economic unit income eligible?
6. Are there nonresidential enrolled children present and participating?

At least one nonresidential child must be receiving care by the provider in order for the provider to qualify as a family child care home for CACFP eligibility purposes. For meals to be reimbursable a nonresidential child must be in attendance and participating in the meal service.

Section 2

Eligibility Requirements

2.5

Staff/Child Ratios

The staff/child ratios and capacity requirements of the child care home shall be maintained during all operating hours of the day care home, not only when CACFP reimbursement is being claimed.

1. Group child care homes will be eligible to claim meals for the number of children listed on their DHS license.
2. Child care homes participating on the CACFP under DES or Alternate Approval guidelines will adhere to the following ratio requirements:
 - Care for no more than four children for compensation with a maximum of six children in care at any one time which may include the provider's own children , any other residential children through the age of 12, or children of migrant workers 15 years of age and under.
 - Have no more than two children under the age of one in care at any one time, unless they belong to a sibling group.
3. Children with special needs must be counted in the ratios.
4. Military/tribal ratios are acceptable on the basis of the standards their respective regulatory agencies have established.

Section 2

Eligibility Requirements

2.6

Home School Participants

A family child care provider offering a home school program may participate in the CACFP, provided the following conditions are met:

- The provider must be certified for child care or meet Alternative Approval requirements.
- All of the children in care and/or school must be included in the ratio.
- Children other than the providers' own must be in attendance and participate in the meal service.
- All the other requirements governing CACFP still apply.
- Meals served to school age children participating in the home school program may only be claimed for those children ages 12 or under, or for children of migrant workers 15 years of age or under.

Section 2

Eligibility Requirements

2.7

Foster Homes

Foster homes are certified by DES to care for foster children in the home for one year. Foster children are in care 24 hours a day, and can qualify for participation in CACFP. If the provider cares for unrelated children in addition to caring for the foster child, the following conditions must be met in order for the provider to receive CACFP reimbursement for the foster child:

- At least one nonresidential child, enrolled and receiving care in the provider's home, must be in attendance and participating in the meal service.
- The foster child must be officially enrolled and participating in the family child care home.

Foster homes must go through the Alternative Approval process. A foster license will be accepted in lieu of the first year's health inspection, however a fire inspection is required. After the first year foster home requirements are the same as for Alternately Approved homes. This means they must have an annual health and fire inspection by an approved authority.

A foster child is a ward of the court or welfare agency and is considered a household of one for income eligibility purposes. The income of the provider's household is not considered when determining the eligibility of a foster child for CACFP benefits. Therefore, foster children are eligible for benefits even if the provider is not income eligible.

Section 2

Eligibility Requirements

2.8

Respite Care

The Department of Economic Security, Division of Developmental Disabilities (DDD) certifies homes to provide respite care for developmentally disabled persons. Clients can range in age from infants through adults and may stay with a provider on a daily or long-term (24 hour) basis.

Providers who care for developmentally disabled clients are eligible to participate in the CACFP under the following conditions:

- The home must be serving a majority of clients 18 years of age and under (rationale: to establish that the home is operating as a family child care home).
- The home is alternately approved.
- Respite care certification will be accepted in lieu of the initial health and fire inspections but must be inspected annually for both after the first year.

Each district determines the number of disabled clients that may be cared for in a home, usually the maximum is three. A provider should contact the DDD office in their area for approval to care for children without disabilities while caring for a disabled client.

This policy may be applied to other recognized respite care programs with State Agency approval.

Section 2

Eligibility Requirements

2.9

Group Child Care Home

Group homes are licensed by DHS. The ratio is 1:5 maximum with a total capacity of 15, and 10 maximum for compensation, unless otherwise directed by DHS. A second adult caregiver must be present after the 5th child and a third provider, who may be a minimum of 16 years of age, must be present after the 10th child.

The license may have two names on it; the owner and the provider. The Sponsoring Organization agreement must be with the provider, and reimbursement checks are made out to the provider, as s/he is the caregiver.

Sponsoring Organizations should refer to the Arizona Department of Health Services Office of Child Care Licensure Chapter 5 Rules for Child Care Group Homes for additional information on standards for programs of this type.

Section 2

Eligibility Requirements

2.10

Relative Care

Relative care is a registration agreement with DES. This agreement allows a person's child to be cared for by a relative. This agreement does not allow the relative provider to care for other unrelated children. However, the related child(ren) may receive CACFP benefits. If the relative care provider wishes to participate on CACFP, the relative must become an Alternately Approved Home, following all applicable steps for approval.

Section 2

Eligibility Requirements

2.11

In-Home Provider

Providers who go into another household to provide care are eligible to participate in the CACFP when the following conditions are met:

- The location of care is a private residence.
- The residential children eat with an enrolled nonresidential child.
- The provider supplies the food.

The residence where care is provided must receive an annual fire and health inspection. Parents of residential children do not have to be income eligible in order to participate. If the provider is income eligible and has an eligible child, the provider's child could participate. If the provider is not income eligible, the provider's child cannot participate with CACFP, but is included in the home-count. A nonresidential child must be in attendance for residential children to be claimed. If the home is located in a Tier I school area, the provider is determined to be Tier I. If the home is located outside of a Tier I school area, the provider's household income must be verified to qualify for a Tier I rates.

SECTION 3
SPONSORING ORGANIZATION & PROVIDER PROGRAM
APPLICATION

Sponsoring Organization Renewal	3.1
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Governing Boards	3.7

Section 3

Program Application

3.1

Sponsoring Organization Renewal

The CACFP program year begins October 1st and concludes September 30th. Sponsoring Organizations must complete an annual renewal packet for approval by the State Agency. Renewal packets are traditionally sent out in August and due on a date in September designated by the State Agency.

The renewal packet contains the following:

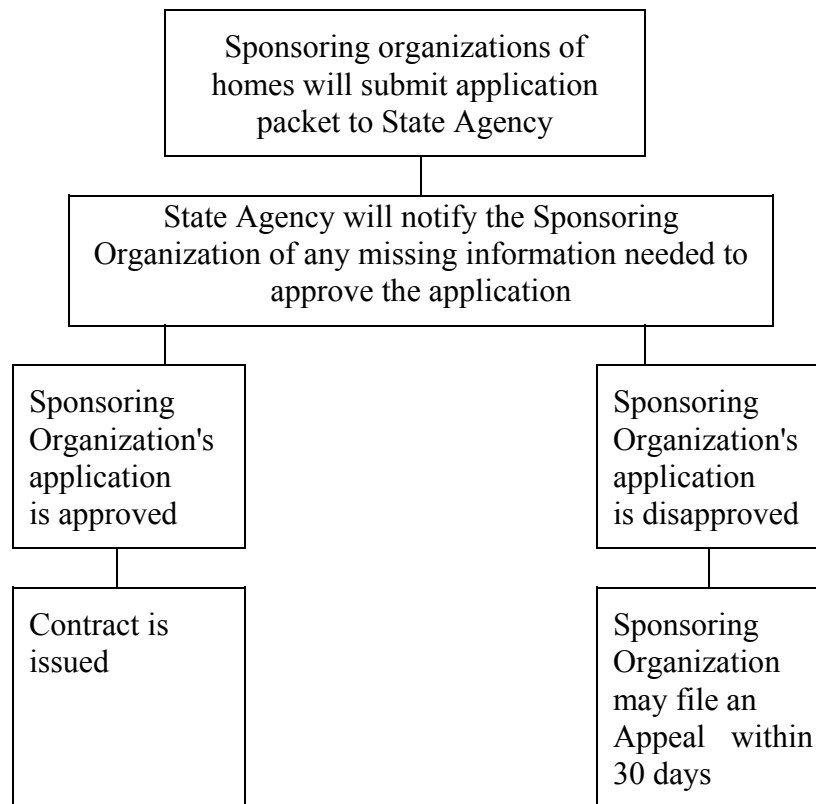
- Application for Participation - submitted annually, specific to each Sponsoring Organization
- Food Service Agreement - submitted every 3 years or more frequently as required
- Budget Packet – submitted annually
- Public Release – submitted annually
- Management Plan – submitted as required by the State Agency
- Number of providers per county, by type – submitted annually
- Authorized Signature Report – submitted if authorized signers have changed, specific to each Sponsoring Organization
- Civil Rights Compliance Forms – kept on file by the Sponsoring Organization
- Procurement Standards – submitted if revised
- Purchasing Standards – submitted if revised
- Sponsoring Organization Appeal Procedures – kept on file by the Sponsoring Organization
- Other documents as requested individually by the State Agency

The Food Service Agreement is a binding contract delineating the responsibilities of the State Agency and SO. It must be signed by a designated signer appointed by the SO's board before any reimbursement can be paid for meals.

The Department of Education will review packets to ensure they are complete and correct. Incorrect packets may be returned to sponsors for revision. Complete and correct packets will be approved or denied within 30 days of receipt.

Section 3 Program Application

3.2 Renewal Denial



A renewal application for participation in CACFP may be denied based on serious deficiencies as determined and documented by the State Agency. Serious deficiencies with respect to Program administration may include, but are not limited to:

- Failure to return the advance payment to the State Agency.
- Failure to maintain adequate records to support the claim for reimbursement.
- Failure to adjust meal counts to conform to variations in the number of participating children.
- The submission of false information to the State Agency.
- Claiming meals not served to participating children.
- Service of meals that do not include required quantities of all meal components.
- Failure to adhere to the Federal and State procurement regulations.
- Failure to disburse payments to its homes within the Federally mandated timeframe.
- Administrative or financial mismanagement in any Federal child nutrition program.
- Identification as a seriously deficient institution, as defined by the State Agency.

If a renewal application is denied, the Sponsoring Organization will have the opportunity to appeal the decision.

Section 3

Program Application

3.3

Provider Renewal

Sponsoring Organizations collect the applicable information from child care providers on an annual basis as part of the provider's renewal:

- Program Application, if information has changed from current application
- Income Applications (if applicable)
- Child Care Standards for AA homes
- Health Inspection for AA homes – in accordance with County Health Standards
- Fire Inspection form for AA homes – in accordance with applicable local, county or state code
- Current fingerprint clearance cards for AA home providers and their back-up providers
- Current DES certificate or DHS license – in accordance with state law

The Agreement Between the Sponsoring Organization and the family child care provider must specify the rights and responsibilities of both parties. Agreements will be updated in prototype format by the State Agency when a policy change has been implemented; otherwise Agreements updated annually will not be required. The Sponsoring Organization may use the prototype form provided by the State Agency or develop their own agreement. An agreement developed by the Sponsoring Organization must be submitted to the State Agency for approval. No provision in the agreement may be deleted but Sponsoring Organizations may include additional program requirements including policies addressing retaining reimbursement money for inspections or other costs associated with participating on the CACFP, dates menus are due, and the policy on late claims.

Section 3 Program Application

3.4 New Providers

Sponsoring Organizations must obtain the following items from new providers on their program before they can begin claiming:

1. Alternate Approval Providers -

Provider Application
Provider/SO Agreement
Child Care Standards
Application for Fingerprint Card
Health and Fire Inspections
Income Application (if applicable)
Child Enrollment Forms
Reimbursement Option for Tier II Providers
(if applicable)
Notarized Criminal History Certification

2. DES, DHS, Military or Tribal Providers

Provider Application
Provider/SO Agreement
Certificate/License
Income Applications (if applicable)
Child Enrollment Forms
Reimbursement Option for Tier II providers
(if applicable)

Pre-approval Visits

The Sponsoring Organization shall visit each new child care home provider for which application is made. The purpose of this visit shall be to:

- Determine eligibility of the provider
- Inform the new provider about CACFP requirements, benefits, and Sponsoring Organization's policies;
- Explain the Sponsoring Organization's application and agreement including the rights and responsibilities of the provider and the rights and responsibilities of the Sponsoring Organization; and
- Review the potential providers' food operation to determine if the providers can meet the CACFP requirements with the kitchen facilities available and if the providers can accurately complete the required records.
- Inform the provider of Tier I determination and/or Tier II reimbursement options

The Sponsoring Organization must document that a pre-approval visit was made and the above information was reviewed with the provider. Some of this information may be covered in a group orientation, however, this does not replace the onsite pre-approval visit.

Until an agreement is signed, a provider may have more than one preapproval visit from various Sponsoring Organizations.

Section 3

Program Application

3.5

Press Release

Each year the SO shall provide a public press release to the media (television, radio, or newspaper) serving the areas from which it draws its participation. The press release shall announce the availability of meals at no separate charge. All public releases shall state that "the same meals are available to all enrolled children without regard to race, color, national origin, sex, age, or disability and there is no discrimination in the course of the meal service. If you believe that you have been treated unfairly in receiving food services for any of these reasons, write immediately to the Secretary of Agriculture, Washington, D.C. 20250. USDA is an equal opportunity provider and employer."

It is the Sponsoring Organization's responsibility to send the press release to the media. Once the press release has been sent to the media, the Sponsoring Organization has fulfilled its obligation. The Sponsoring Organization is not required to pay for publication of the press release.

A copy of the press release, with a list of media agencies it was sent to, must be included in the Sponsoring Organization's renewal packet.

Section 3

Program Application

3.6

Fingerprints

Alternate Approval

Alternate Approval providers must be fingerprinted in accordance with state statute (A.R.S. 46-321). The cards are sent to the Arizona Department of Public Safety (DPS) which processes the prints and forwards the cards to the Federal Bureau of Investigation. Effective August 16, 1999 the Sponsoring Organization shall send fingerprint application packets with the appropriate fees directly to DPS for processing. Application packets must be submitted to DPS within seven (7) days of provider application and participation. Sponsoring Organization's may submit one organization check to pay for each batch of multiple provider fingerprint applications. Providers shall pass the fingerprint background check and hold a valid class one or class two fingerprint clearance card within 90 days of application. AA providers shall be dropped from participation until a valid class one or class two card is obtained.

Validation

The Sponsoring Organization shall call the DPS Fingerprint Clearance Card validation telephone line number (602) 223-2279 in order to check that all class one or class two cards presented by new or transferring providers are valid.

Denial and Suspension

The DPS will notify the provider and the State Agency of fingerprint denials or suspensions and if the provider is eligible for a good cause exception hearing. Only the provider will be sent a criminal history record. The State Agency will not be notified of valid cards. The Sponsoring Organization must secure copies from the provider. The State Agency will notify the Sponsoring Organization of all fingerprint card denials or suspensions of class one or class two fingerprint cards. The Sponsoring Organization will be suspended from participation of all providers pending a good cause hearing decision if applicable. If the provider is not eligible for a good cause exception hearing, the provider shall be immediately terminated for cause. The provider will be reimbursed for meals up to the day of termination.

Good Cause Exception Hearing

The Board of Fingerprinting will hear applications for good cause exceptions. If an exception is granted, the provider will receive a fingerprint clearance card that defines (reverse side) the State Agency granting the exception. The cardholder shall only be eligible to participate with programs for the identified State Agency. The provider must give a copy of the card, front and back, to the Sponsoring Organization before he/she may begin or resume participation in the CACFP.

3.6 Fingerprints, continued

Fingerprint Cards

Fingerprints may be rolled by a local law enforcement agency, a trained member of the Sponsoring Organization staff, or by an agency established to roll prints for background checks. Occasionally prints are submitted twice and still can not be read. If prints must be submitted to the FBI a third time, the provider must submit a new application packet with a new fingerprint card and applicable fees. The Sponsoring Organization has the option of sending providers to the police department at 620 West Washington to have the provider's prints scanned for a nominal fee. The provider should ask for the shift supervisor to request the prints be scanned and not rolled.

Exemption

Only military bases and federally recognized Indian tribes receiving federal child care food program monies are exempt from A.R.S. 46 –321.

Section 3

Program Application

3.7

Governing Boards

The Governing Board of any non-profit organization is responsible for:

- Policy setting,
- Fiscal Guidance, and
- Ongoing governance.

The Board of Directors regularly reviews the organization's policies and procedures, Program operations, fiscal records, performance of the Executive Director, and the organizational budget(s). Board meeting minutes document decisions and operations. All minutes shall be available for review by the State Agency or any other interested member of the public upon request.

Each year the Sponsoring Organization shall submit an organizational Management Plan. The Sponsoring Organization's Governing Board is the primarily instrument for providing adequate Program oversight to ensure accountability and proper internal controls. The Sponsoring Organization must demonstrate that its Board of Directors:

- Operates for public purposes rather than for private benefit;
- Has a screening system in place to scrutinize any criminal convictions of Board members which may disqualify them from performing Program administrative functions;
- Is composed of a majority of members of the community who are not financially interested in its activities, or related to its personnel or to each other;
- Does not vote on decisions relating to their own compensation (or for a related party) and is otherwise independent and accountable;
- Approves decisions related to the compensation of employees and other parties providing services; and
- Meets the performance standard with respect to policy, fiscal management, Program knowledge and operational oversight.
- The State Agency may require the Sponsor Organization use an evaluation form or a similar tool to provide the necessary support documentation to ensure the Sponsoring Organization has a governing body that meets applicable Federal and State statutes and requirements.

The State Agency will review annually the organizational management and responsibilities of the Board of Directors to determine whether they meet the above standards, and to assess whether the Sponsoring Organization effectively manages Program standards.

In the event of faulty or missing Board oversight, the State Agency shall declare the Sponsoring Organization seriously deficient, and will terminate the organization if corrective action is not implemented and maintained.

3.7 Governing Boards, continued

The State Agency can deny an application for a Sponsoring Organization that fails to demonstrate its Board of Directors meets the above standards and fulfill the Program requirements. The State Agency will periodically provide resource lists and information to Sponsoring Organizations on Board of Directors issues and topics (e.g., Internal Revenue Service (IRS) requirements, publications intended for improving the effectiveness of nonprofit Boards, etc).

SECTION 4

SPONSORING ORGANIZATION AND PROVIDER PAYMENT SYSTEM

Start-up Funds for New Sponsoring Organization	4.1
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Expansion Grants	4.3
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Section 4

The Payment System

4.1

Start-Up Funds for New Sponsoring Organization

Start-up payments may be provided to a potential or current Sponsoring Organization of homes to assist in financing administrative expenses relating to beginning or expanding CACFP operations.

Who May Receive Start-Up Funds?

Start-up funds are available to Sponsoring Organizations of fewer than 50-child care homes who want to develop or expand Program operations. Start-up funds are available only once for any Sponsoring Organization meeting eligibility criteria.

Eligibility Criteria

To receive start-up funds, the Sponsoring Organization must:

1. Be a public organization or a private nonprofit organization having tax-exempt status under the United States Internal Revenue Service Code of 1986.
2. Have a history of managing funds and ongoing activities in public or private programs.
3. Have an acceptable and realistic plan for recruiting currently nonparticipating child care homes. This plan must include estimates of the number of potentially eligible homes to be recruited.
4. Have developed an acceptable management plan approved by the State Agency.

Approval Process

The Sponsoring Organization will be notified of approval or denial of start-up funds within 30 days of the receipt of a complete and correct start-up application. The application is available from the State Agency upon request.

If the application for start-up funds is approved, a letter of approval will be sent to Sponsoring Organization. The costs incurred for the purpose of beginning or expanding CACFP operations must be accounted for separately from monthly administrative costs. These costs should not be reported as administrative costs on the monthly claim for reimbursement. At the end of a predetermined time frame, the monies spent for start-up operation will be reconciled against the monies issued for start up, by the State Agency. The Sponsoring Organization will be required to pay back any monies not used or any funds received in excess of actual costs incurred.

If the application is denied, the Sponsoring Organization will be notified of the right to appeal the decision (see section 7.9).

4.1 Start-Up Funds for New Sponsoring Organizations, continued

Amount of Start-Up Funds

The amount of start-up funds granted will be between one and two months' anticipated administrative reimbursement. Start-up funds will not be granted for more than 50 homes. An Sponsoring Organization with fewer than 50 homes at the time of application will receive start-up funds only for the additional homes needed to total 50 homes. These funds must not be used for outreach to providers already participating in the CACFP under another Sponsoring Organization. The State Agency will monitor use of start-up funds.

Section 4 The Payment System

4.2 Administrative Advances

An advance payment is financial assistance made available to a Sponsoring Organization for program costs prior to the period in which the costs are incurred. The State Agency may authorize advance funds to provide Sponsoring Organizations with a ready cash flow, the purpose of which is not to render the organization financially viable. Sponsoring Organizations must request advance payments at the time of Program renewal.

1. Every August the Arizona Department of Education will calculate eligible advance amounts for all Sponsoring Organization's and send advance letters to the Sponsoring Organization's to notify them of their eligible amount for program year 2002.
 - a) The calculation of advances will be based on the average administrative reimbursement of the prior ten claim months (October – July) which represents all claims submitted by Sponsoring Organization's for the current fiscal year. Sponsoring Organization's submitting their July claims late will not have that claim included in the average.
 - b) The State Agency will send advance letters to Sponsoring Organization's by August 15, 2001.
2. By November 1, the Arizona Department of Education will process the first month's advances.
3. By December 1, the Arizona Department of Education will process the second month's advances.
4. Every August, the Arizona Department of Education will recover the outstanding advances for the current program year in accordance with the following:
 - a) If there are two months of outstanding advances, the 1st month (October 2001) will be recovered first.
 - b) In September, if there is an outstanding balance for the 1st month, the Arizona Department of Education will recover the remaining balance and then recover the 2nd month's advance.
 - c) The justification for recovering advances during the last two months of the fiscal year is as follows:
 - 1) It allows ADE Accounting to better track advances.
 - 2) It reduces the potential for Sponsoring Organization's to drop from CACFP at the end of the fiscal year leaving outstanding advances.

The following requirements must be followed by the Arizona Department of Education with respect to the USDA advance policy:

1. A Sponsor Organization cannot have an advance issued without an approved application for the current fiscal year.
2. If there is an advance outstanding at the end of a fiscal year, a new advance cannot be issued until the outstanding balance is recovered.

4.2 Administrative Advances, continued

3. New child care home Sponsor Organizations may receive an advance, if approved by the Program Specialist.
4. A Sponsor Organization cannot receive a new advance if there are two months' advances currently outstanding.
5. State Agencies must automatically recover 100% of the oldest outstanding advance throughout the year on an on-going basis.
6. Sponsor Organizations cannot have more than two months of outstanding advances at any time in accordance with USDA policy.

The USDA has advised State Agencies that they may not issue advances equal to two month's administrative reimbursement during a single month resulting in a Sponsor never owing more to the State Agency than can be recovered from the next month's claim. Advances may also be recovered at any time under the following conditions:

- Sponsoring organization discontinues participation in CACFP; or
- Sponsoring organization declares bankruptcy or bad debt; or
- Sponsoring organization is classified as seriously deficient.

When the State Agency becomes aware of an excessive advance, the State Agency will make an adjustment by withholding the excessive amount from the claim payment(s).

The procedure for requesting advances is:

1. Indicate request for an advance payment on the application. Advances are issued only for administrative costs.
2. The State Agency determines and approves the advance amount.
3. For newly approved sponsoring organizations, the advance payment will be the amount the State Agency estimates the sponsoring organization will earn based on the number of homes enrolled, approved budget and other data reported on the application for participation.
4. The State Agency will advise the Sponsoring Organization of advance payment eligibility. The Sponsoring Organization may request the full amount, a partial amount, or no advance.
5. The full amount of the requested advance (one month) is issued in one check.

The administrative advance may be used to pay administrative costs incurred before a reimbursement has been paid. All Sponsoring Organization's electing to receive advances may keep all USDA advance monies in an interest-bearing account until needed to pay program costs. However, interest earned in excess of \$250 per year must be submitted to the U.S. Department of Health and Human Services (DHHS) in accordance with FNS Instruction 796-2. Contact the State Agency for assistance with this requirement.

Section 4

The Payment System

4.3

Expansion Grants

Expansion funds may be provided to a current Sponsoring Organization for expansion into rural and low-income areas under-served by participating Sponsoring Organizations. An under-served area is one in which child care homes may wish to participate but cannot because an Sponsoring Organization does not provide CACFP participation in their area.

Expansion fund availability is limited to a participating Sponsoring Organization of family child care homes that has already used start-up funds or, because they have more than 50 homes, are no longer eligible for start-up funds. Sponsoring Organization with less than 50 homes may qualify at the discretion of the State Agency.

A Sponsoring Organization applying for expansion funds must submit to the State Agency an Expansion Grant Application packet. The application requires:

- A plan detailing activities for recruiting child care homes which is acceptable and realistic
- A detailed budget
- Time lines for the expansion operation
- Goals the Sponsoring Organization expects to accomplish with the expansion funds
- Documentation that the proposed expansion area meets rural and low-income standards

Application forms are available upon request from the State Agency.

“Rural” areas are defined as:

- An area in a county that is not part of a Metropolitan Statistical Area, or
- A pocket in a Metropolitan Statistical Area which is determined to be isolated from urban areas. The State Agency has the option to make this determination.

“Low income” areas are defined as:

- Areas where poor economic conditions exist and 50 percent of the children are eligible for free/reduced meals as determined by:
 1. School data - obtained from local school districts which should include the name of the school, number of children eligible for free/reduced meals and the number of children enrolled in the school(s).
 2. Census tract data - obtained from local planning office or library which includes the census map page of the tract used, average number of persons per household, and median household income from the census tract selected.

The Sponsoring Organization will be notified of approval or denial of expansion funds within 30 days of the receipt of a completed plan.

4.3 Expansion Grants, continued

If the application for expansion funds is approved, a letter of approval will be sent to the Sponsoring Organization. The costs incurred for the purpose of expanding CACFP operations must be accounted for separately from monthly administrative costs. These costs should not be reported as administrative costs on the monthly claim for reimbursement. At the end of the pre-determined time frame for expansion the State Agency will reconcile the costs with grant funds. The State Agency will determine if the plan of action was followed and if the recruitment efforts were successful. A Sponsoring Organization will be required to pay back any unused funds.

A Sponsoring Organization applying for expansion funds may receive an amount equal to that of 50 homes times the current maximum allowable administrative rate times two months. Sponsoring Organization may apply for lesser amounts.

When the Sponsoring Organization requires an extension to complete the proposed activities or wishes to amend the methods used to add the homes, they must obtain prior approval from the State Agency.

If an Sponsoring Organization has satisfactorily expanded into areas for which it was awarded expansion funds, the Sponsoring Organization may apply for additional funds into other low-income and rural areas. However, 12 months must have passed since the expiration of the previous expansion grant before the Sponsoring Organization is eligible to submit another request for expansion funds. The application for additional expansion funding must justify the need for further expansion.

If the application is denied the Sponsoring Organization will be notified of the right to appeal the decision, see Section 3.9

Section 4 The Payment System

4.4 Administrative Rates

Sponsoring Organizations of child care homes shall receive payments for administrative costs not to exceed the lesser of:

1. Actual expenditures for the costs of administering the program
2. The amount of administrative costs approved by the State Agency in the Sponsoring Organization's budget
3. The sum obtained by multiplying each month, the current per home administrative rates by the number of homes operating at least one day that month

However, during any fiscal year, administrative payments to a Sponsoring Organization may not exceed 30 percent of the total of all payments made to the child care sponsoring organization and its homes. This limit can be calculated by multiplying provider meal payments earned by the factor of .4286. This factor is based on a mathematical formula verifying administrative payments do not exceed 30 percent of all payments.

There are four considerations in calculating the amount of administrative funds to which the Sponsoring Organization is entitled. The considerations are:

1. Costs based on provider reimbursement
2. Costs based on number of homes
3. Actual costs
4. Budgeted costs

The administrative cost allowed is the lowest of these four categories. Since the costs are calculated monthly, the Sponsoring Organization may receive a monthly adjustment depending on the total amount reimbursed for the month compared to the lesser of the four considerations listed above.

Section 4

The Payment System

4.5

Provider Reimbursement Rates

Reimbursement to child care home providers is limited to an established annual rate per meal, and is based on the Consumer Price Index for Food Eaten at Home. The annual adjusted rates are rounded down to the nearest whole cent. Rates are effective July 1 through June 30.

The CACFP has a two tiered reimbursement structure. Tier I homes are (1) homes located in areas served by a school enrolling elementary students in which at least 50% of the total number of children enrolled are eligible to receive free and reduced price meals, (2) homes operated by providers whose household income is at or below 185% of the poverty level, and (3) homes located in a geographic area, identified by a U.S. Census tract, in which 50 % of the children reside in households whose incomes meet the income eligibility guidelines for free or reduced price meals.

Tier II are all providers who do not qualify for reimbursement at the Tier I rate.

Section 4

The Payment System

4.6

Tier II Reimbursement Options

Tier II home child care providers are granted the opportunity to elect whether or not income-eligible children are to be identified by the Sponsoring Organization for purposes of Tier I reimbursement to the provider for meals served to those children. Tier II providers have three options to choose from with regard to the collection of eligibility information from households of children in their care. The option a provider selects determines whether or not the Sponsoring Organization is to establish the eligibility of children enrolled in their home.

OPTION 1

The provider may elect to have the Sponsoring Organization collect income information from the households of all children enrolled in the home. All meals served to children whose household is determined income eligible by the Sponsoring Organization will be reimbursed at the Tier I rates. Meals served to children whose household does not meet income guidelines will be reimbursed at the Tier II rates.

The Sponsoring Organization may establish the eligibility of children two ways:

1. A child may be identified as income-eligible based on the Sponsoring Organization's receipt of a completed income eligibility statement which indicates that the household's income is at or below 185 percent of the Federal income poverty guidelines.
2. A child may be identified as categorically income-eligible by the Federal or State supported child care or other benefit programs, with income eligibility limits at or below 185 percent of poverty, in which the household participates. These programs are listed on the Parent Income Affidavit (Exhibit 4-1).

Children from households participating in one of these programs could be identified by the Sponsoring Organization in two ways:

1. The household may present evidence it participates in one of the above programs by checking it on the income eligibility statement and providing no income information.
2. Alternatively, an income eligibility statement would not be necessary for those children whom the Sponsoring Organization or provider knows to be categorically eligible for Tier I reimbursement. This could occur when a provider receives payment for a child's care in the form of a subsidized voucher (a copy is sent to the Sponsoring Organization as documentation); when the household provides the Sponsoring Organization with an official letter issued by the welfare or other office documenting the household's eligibility in the qualifying program; or when a direct certification form is provided to the Sponsoring Organization.

4.6 Tier II Reimbursement Options, continued

OPTION 2

The provider elects to have the Sponsoring Organization identify only categorically eligible children. Under this option the Sponsoring Organization would identify only those children whom the Sponsoring Organization or provider knows (on the basis of viable documentation) to be categorically eligible and would have on file only copies of vouchers or other proof of participation in an eligible program rather than the income eligibility applications.

OPTION 3

The provider may choose to receive Tier II reimbursement for all meals served to enrolled children. In this case, the Sponsoring Organization will not collect any income eligibility application from the households of enrolled children, nor will it identify categorically eligible children based on provider or sponsoring organization knowledge. Tier II homes whose providers elect this option will operate exactly as they did before implementation of the two-tiered reimbursement structure, except they will receive lower rates of reimbursement.

Tier II providers must have documentation on file that indicates the option they selected. Sponsoring Organization's should develop policies covering:

- The number of times a year a provider may change their election
- If the provider must make the election annually
- The option is selected once and retained until the provider chooses to change it
- Written notification to Tier II providers that at any time a provider believes s/he is eligible for Tier I reimbursement rates due to a change in the level of household income or composition, the Sponsoring Organization will allow the provider to submit an income application complete with verification for the organization's review

Section 4

The Payment System

4.7

Claim Submission

A monthly claim for provider reimbursement and administrative cost reimbursement shall be submitted to the State Agency within 60 calendar days from the last day of the claim month. Original claims shall be received by the 10th day of the month following the last day of the claim month. If the 10th day of the month falls on a weekend or holiday, the claim is due the next working day.

Claims filed after the 60-day deadline resulting in an increase in reimbursement will not be processed unless the one-time exception policy is used (see section 4.8). Revised claims resulting in a reduction of reimbursement may be submitted to the State Agency at any time.

The State Agency processes claims once a month. Federal regulations allow the State Agency 45 days from receipt of claims to pay reimbursement.

If program participation begins or ends within 10 days of the beginning or ending of a month, this partial month may be combined with a full month on the claim for reimbursement. However, the claim for reimbursement may not combine the last month of a fiscal year with the first month of the next fiscal year.

In submitting the claims for provider and administrative cost reimbursement, each Sponsoring Organization shall certify that the claim is correct and that records are available to support the claim. These records shall be retained for a period of five years after the end of the fiscal year to which they pertain. Records shall be retained beyond the end of the five-year period if findings result from an audit or a review. In those cases, records shall be maintained for as long as required to resolve the issues raised by the audit.

All accounts and records pertaining to the Program shall be made available upon request to representatives of the State Agency and the U.S. Department of Agriculture for audit or review at a reasonable time and place.

Failure to have records available to support the claim for reimbursement could result in disallowance of meals claimed and finding the Sponsoring Organization seriously deficient.

Section 4 The Payment System

4.8 One-Time Claim Exceptions

All claims or revised upward claims must be submitted within 60 calendar days from the end of the claiming month or claims are not paid. However, the Sponsoring Organization may file an exception for claims filed after the required 60 calendar day period.

An exception may be requested under the following circumstances:

1. The claim was late due to circumstances beyond the Sponsoring Organization's control and the Sponsoring Organization re-submits the claim with detailed and documented written evidence. The State Agency will review the documentation and send it to the USDA Regional Office for final evaluation. The Regional Office will approve or disapprove the request.
2. The claim was late due to circumstances within your control. In this case the Sponsoring Organization may use the One-Time Exception. This exception may be used once every three fiscal years. In order to receive the exception, a Sponsoring Organization must submit the following documentation with an authorized signature.
 - A written description of circumstances which contributed to late filing.
 - Actions taken to prevent future late claims.
 - An assurance by the Sponsoring Organization that they understand this is a ONE-TIME exception.

The State Agency will advise the Sponsoring Organization in a timely manner if the exception is approved or disapproved.

Section 4

The Payment System

4.9

Processing Sponsoring Organizations' Claims

When a claim is received, it is manually reviewed for errors. If there are no errors, it is entered into the computer system. When errors are present, the State Agency will attempt to contact the Sponsoring Organization to correct the claim. The error must be corrected before the claim can be processed. Correction of errors may delay payment until the next month. Accuracy in completion of the claim is vital for timely payment. When a claim is returned for correction, it should be returned immediately to ensure processing within the 60 day time frame.

The initial claim submitted by a new Sponsoring Organization must be accompanied by a list of providers included in the claim. The signature on the claim must be an authorized signature, and all lines should be completed on the claim form.

If the Sponsoring Organization does not receive a check within 45 days of claim submission, contact the State Agency financial unit at 602-542-8714. The Sponsoring Organization is responsible for immediately informing the State Agency of address changes.

Section 4

The Payment System

4.10

Payments to Providers

Sponsoring Organization's may impose a meal count deadline for providers. Deadlines must be clearly stated in the providers' agreement with the Sponsoring Organization. At the Sponsoring Organization's discretion, late meal counts may be accepted.

Each Sponsoring Organization must disburse all provider reimbursement payments within five working days of receipt from the State Agency. Exception: Sponsoring Organization's may withhold a provider's reimbursement until the provider repays all advanced fees. Reimbursement funds issued to the Sponsoring Organization must be returned to the State Agency if non-disbursed provider meal reimbursements occur. As the Sponsoring Organization has incurred costs associated with providing services to the provider, the provider should continue to be counted in the total number of homes claimed for the month in question.

The reimbursement check must be issued to the DHS group provider or to the individual provider at the provider's mailing address.

Section Payment System

4.11 Withholding or Reduction of Reimbursement

The family child care provider shall receive the full food service rate for each meal served to enrolled children. Exceptions to this occur when a disallowance is made as part of the Sponsoring Organization monthly claim review, or the result of a monitoring review or audit by the Sponsoring Organization or State Agency.

The provider's grace period extends to one full month plus the fraction of a month that is the provider's first claiming month. The Sponsoring Organization shall give providers corrective action during this time period. After the one-month training period, non-creditable meals shall not be reimbursed. Menus shall be checked by monitors and errors discussed with the provider as part of the first 28 day visit.

Withholding or reduction of any providers' reimbursement by a Sponsoring Organization must be made when there is evidence of noncompliance with CACFP regulations. A provider's reimbursement may be withheld or reduced if the provider does not comply with the following requirements:

- Maintenance of daily records of a) menus itemizing what is served at each meal service documented on a Daily basis and b) up to date meal counts
- Reporting of meals served to income eligible children living in the provider's home only if at least one non-residential child is present and being claimed for that meal
- Claiming CACFP reimbursement for the provider's own children only if provider's household meets family size and income requirements
- Reporting only one meal per child at each meal service and a maximum of two meals and one snack or two snacks and one meal per child per day
- Reporting and claiming the number of enrolled children's meals served up to, but not exceeding authorized capacity.
- Serving meals that meet the CACFP meal pattern requirements for the ages of the children being served
- Providing meals to enrolled children without charge
- Informing the Sponsoring Organization as soon as possible when the names of any children are added or dropped from the enrollment for child care or when there are any changes in the home's regulatory status

4.11 Withholding or Reduction of Reimbursement, continued

- Permitting representatives from the Sponsoring Organization, State Agency, and USDA to review the Program in the home (this will be done several times a year; both announced and unannounced visits are conducted)
- Participating in the CACFP under only one Sponsoring Organization
- Maintaining a current DES certificate, DHS license or alternate approval as a family or group child care home
- Paying fees incurred for Alternate Approval certification

Section 4

The Payment System

4.12

Collecting Provider Overpayments

When an overpayment is discovered as a result of monitoring visits, parent verification efforts, audits, administrative reviews or through other means, the provider should be informed in writing of the amount to be repaid and the reason for the overclaim. The opportunity to respond or justify the claim should be given to the provider before a final determination is made.

If the situation is not one involving potential fraud but is merely an error, the provider should be retained on the Program and given additional training if applicable. The Sponsoring Organization must deduct the disallowed meals from the current claim at the rate deducted for the meals. The Sponsoring Organization shall deduct meals from the same payment-rate period, i.e., October through June or July through September to have claim adjustments made at the correct rate. If disallowed meals are from the prior fiscal year, the Sponsoring Organization must collect the funds from the provider and send a check for the overpayment to the State Agency. The Sponsoring Organization should not wait until the end of the program year to make this adjustment.

If the provider no longer participates on the program and the Sponsoring Organization cannot collect the overpayment from current or future reimbursement claims, the provider should be billed. The Sponsoring Organization may either request payment in full or establish a repayment schedule. Three demand letters should be sent to the provider if necessary at 30-day intervals. A collection agency can be used as the next step in attempting to collect the overpayment. If no response or repayment is received, the Sponsoring Organization should advise the provider that the matter will be pursued in small claims court (if the debt is within the monetary limits of the court), and proceed with the action.

If potential fraud is involved and no payment is received, the Sponsoring Organization must forward details of the case to the State Agency. The State Agency will then forward the case to the Attorney General's office to pursue criminal prosecution under state fraud laws. The Sponsoring Organization shall document the provider's file explaining all the actions taken to collect the debt and shall terminate the provider for cause.

The Sponsoring Organization will submit all overpayments received from providers to the State Agency in increments of \$100 or the total amount, whichever comes first. If payments of over \$100 are received at one time, the Sponsoring Organization will forward them immediately to the State Agency. This procedure will ensure timeliness of the return of federal funds, yet minimize the administrative costs to the Sponsoring Organization and the State Agency in handling small amounts of funds.

SECTION 5

FINANCIAL MANAGEMENT

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Section 5 Financial Management

5.1 Financial Management Standards

Sponsoring Organizations must have a financial management system in place that, at a minimum, ensures the following:

1. Accounting records are supported by source documents.
2. Records show the source of all funds, revenues, expenditures, assets, and liabilities.
3. Accurate, current, and complete disclosure of the financial transactions related to CACFP; and effective control over, and accountability for all funds, property, and other CACFP assets to assure that they are safeguarded and used solely for authorized purposes.
4. Actual outlays are within line item amounts.
5. A method to assure timely and appropriate resolution of audit findings and recommendations.

In addition, the financial management system must track and provide:

- Actual count of meal service by type (breakfast, lunch, supper, and supplement).
- Family size and income data on Tier I providers and providers claiming their own children to establish eligibility to claim meals.
- Records that segregate, accumulate, and adequately document CACFP costs including, but not limited to, salaries, fringe benefits, travel costs, office costs, expendable equipment, maintenance of non-expendable equipment, contractual services, administrative costs, and distribution of payments to providers.
- Records that segregate, accumulate, and adequately document income to the CACFP.
- Records detailing procurement of goods and services that are CACFP funded and ensure that such procurements meet federal and state procurement standards.
- An accounting system that ensures that CACFP costs are not charged to another program, federal or nonfederal, and that other program costs are not charged to CACFP.
- Records indicating the number of children in attendance and the number of meals by type served to enrolled children.

5.1 Financial Management Standards, continued

- Records that segregate, accumulate, and adequately document cost allocations, indirect costs, accounting accruals and adjustments, and that all such costs must be charged to the appropriate program and the basis for such entries must be equitable so that the CACFP is not paying for a disproportionate amount of such costs.
- Records that segregate, accumulate and adequately document advance payments, start-up funds and expansion funds.
- Adequate internal controls to maintain financial integrity of the CACFP.

Section 5 Financial Management

5.2 Budgets

Each line item is considered based on the necessity, allowability and reasonableness of the items and the dollar amount appropriated to each item. Also reviewed is the size of the program, its prior history and the average administrative costs established in comparable operations.

Budgets may be planned for a maximum of ten percent (10%) growth unless approval is received from the State Agency for more than 10%. For “total current number of operating homes” use the highest number reported in the last fiscal year.

A Sponsoring Organization operating Child Care Centers may use up to fifteen percent (15%) of meal reimbursement funds for administration. A budget must be submitted and approved to support associated costs with estimated revenue. The same budget forms and procedures apply for both Family Child Care and Center budgets.

Once budgets have been approved, up to \$1,000 per year may be transferred between line items.

Increases in per diem expenses will be based on the increases allowed for state employees by the legislature.

Revised Budget

Throughout the Federal fiscal year, a Sponsoring Organization may find that the approved budget may need to be revised due to:

- An increase or decrease in the number of homes under the Sponsoring Organization's jurisdiction.
- Expenses not in the approved budget.

Any cost incurred, which is not in the approved budget, must receive prior approval by the State Agency. Justification for all revised budget items must accompany any adjustments made. Sponsoring Organizations must submit a new budget packet along with appropriate justifications for revisions. The revised budget must be received 30 days **prior** to the amendment effective date. For example, budget revisions for December must be received by November 1.

Section 5

Financial Management

5.3

Allowable Costs

CACFP claimed costs must meet the following general criteria:

1. Must represent an actual operating/administrative cost incurred in the normal course of conducting the program.

The costs may be reported on an accrual basis (expenses and income recorded when incurred) or cash basis (expenses and income reported when paid/received); however, the Sponsoring Organization's accounting system must treat costs consistently.

2. Are necessary, reasonable and allowable for the proper and efficient administration of the CACFP.
3. Are authorized or not prohibited under State or local laws or regulations.
4. Conform to any limitations or exclusions set forth in Federal laws, or the governing limitations as to types or amounts of cost items.
5. Are not chargeable to any other federally financed program in either the current or prior period.
6. Are net of all applicable credits.
7. Are properly allocated.
8. Are adequately documented.

Section 5 Financial Management

5.4 Typical Allowable Costs

Costs must conform to relevant federal and state laws, regulations, policy and procedures. Such costs must receive consistent treatment through the application of generally accepted accounting principles. Each item of cost must be uniformly assigned as either DIRECT or INDIRECT costs. Because of the diverse nature of accounting practices, it is not possible to specify which costs may be classified as direct or indirect in all situations.

- A. Direct Costs** – Benefit only the CACFP component. Typical direct costs are salaries, depreciation or use allowances on equipment used in the program.
- B. Indirect Costs** – Those costs that have been incurred for common or joint objectives and cannot be readily identified or assigned to the CACFP or other institution activities. Examples of indirect costs include depreciation and use allowances on buildings and equipment used for common or joint objectives, the costs of operating and maintaining facilities, or the salaries of a central accounting staff. Indirect costs must be allocated on a consistent and rational basis in accordance with the State Agency's financial management system and are subject to review by FNS. Indirect cost rates may be used to assign indirect costs. Refer to 7 CFR 3016 and 3019, and OMB Circulars A-87 and A-122 for guidance on indirect costs.

Listed below is a partial list of allowable costs.

- A. Administrative Costs** – Those costs incurred for planning, organizing and managing a program. Administrative costs must be offset by applicable credits, such as purchase discounts, rebates or allowances, recoveries or indemnities on losses, and adjustments of overpayments or erroneous charges.
 - 1. **Accounting** - The cost of establishing and maintaining accounting and other information systems required for the management of the CACFP is allowable. However, the cost of maintaining central accounting records to meet organization requirements for overall Federal, state, or local government purposes is unallowable except as it may be included in joint costs.
 - 2. **Advertising** - Advertising media includes newspapers, magazines, radio and television programs, direct mail, trade papers, etc. Allowable advertising costs are those which are solely for solicitation of bids for procurement of goods and services (including rental), recruitment of personnel to work in the CACFP (recruiting Sponsoring Organization staff and new providers), disposal of scrap or surplus materials acquired in the performance of the grant agreement, and other purposes approved by the State Agency and/or USDA.

5.4 Typical Allowable Costs, continued

3. **Bonding Costs** - The cost of premiums on bonds covering employees who handle CACFP funds. The bonding shall be in accordance with sound business practices and shall be obtained from companies holding certificates of authority as acceptable sureties. A list of these companies is published annually by the Department of Treasury in its Circular 570. If the bond coverage reflects only Federal money, the bond must be made payable to the State Agency. Bonding costs for general administrative staff, officers, or any individual not responsible for handling program funds are unallowable.
4. **Communications** - Costs incurred for telephone, telegraph, postage, answering, and messenger services are allowable when necessary for the CACFP.
5. **Compensation for Labor** – Compensation may take the form of salaries, hourly wages, or piecework, (i.e. payments for a specific work function) for administrative personnel (clerical, accountants, and others) necessary to support administrative activities. Payroll records are required to document these costs. Distribution of salaries and wages of employees chargeable to the CACFP must be supported by appropriate time and attendance reports. In addition to time and attendance reports and payroll records, time distribution documentation must be maintained for personnel working part-time on CACFP and part-time on nonprogram duties. The portion of these labor costs charged to the program must be prorated based on the hours worked for each activity.

Documentation for labor costs includes payroll records and a time sheet. Essentially, the time sheet tracks the hours and days worked on a monthly basis and contains the employee and supervisor's signature.

6. **Contracted Services** - A contracted service is a function or service that is or will be provided by an individual or individuals that are separate and distinct from the contract entity. The contractor must be a separate entity as observed by having a legal identity, i.e., corporate charter, partnership, agreement, etc, which causes its activity to be fiscally separate and distinct from the contracting organization. No gain or leverage whatsoever may be obtained other than that which is clearly defined in the contractual agreement. The term "contracts" does not include agreements between organizational components of the same legal entity, even if one of the components provides services to the other.
7. **Depreciation of Nonexpendable Equipment** - Depreciation is the expense associated with physical deterioration and consequent loss in value of office equipment used in the CACFP. This loss in value may be claimed as an allowable operating cost. Donated equipment may not be included. All depreciation claimed for federal reimbursement must be documented. All records for the full depreciation period must be retained during the life of the equipment and for five years after the end of the Federal fiscal year during which an equipment item is fully depreciated. Records must be retained beyond this point if audit findings have not been resolved.

5.4 Typical Allowable Costs, continued

Depreciation is based on acquisition cost. The computation must exclude the cost or any portion of the cost of equipment donated or borne directly or indirectly by the Federal government through charges to Federal grant programs or otherwise, regardless of whom owns or has owned the asset. Also, if an item of equipment is acquired by trading in another item and paying an additional amount, “acquisition cost” means the amount received for trade-in plus the additional outlay. However, if the trade-in item is either fully or partially depreciated, then that portion of the already depreciated trade-in value cannot be included in the acquisition cost. The cost of depreciation on idle or obsolete equipment is unallowable.

Adequate property records must be maintained. Any generally accepted method of computing depreciation may be used. However, the method of computing depreciation must be consistently applied for all like assets for all federally sponsored programs. The depreciation method must result in equitable charges considering the use of assets and the benefits to the CACFP. No depreciation may be allowed on any assets considered fully depreciated.

8. **Employment Taxes and Fringe Benefits** – The employer’s share of related program labor costs for Federal, State, and local employment taxes such as Social Security withholding tax and State unemployment taxes; and fringe benefit costs such as vacation leave, health and retirement benefits are allowable.
9. **Membership, Subscriptions, and Professional Activity Costs** – The costs of a Sponsoring Organization’s membership fee or annual dues in professional organizations related to the program and the costs of subscriptions to professional periodicals related to the program are allowable.
10. **Payroll Preparation** - The cost of preparing payrolls and maintaining necessary related wage records is allowable to the extent that the expenditures are made for CACFP purposes and to the extent that they are not further included as a joint (common, shared) cost.
11. **Personnel Administration** - Costs for the recruitment, examination, classification, establishment of pay standards, training, and related activities are allowable to the extent that the expenditures are made for CACFP purposes.
12. **Printing and Reproduction** - The cost of printing and reproduction are allowable to the extent that expenditures are made to meet CACFP needs.
13. **Procurement Service** - The cost of procurement service including solicitation of bids, preparation and awarding of contracts, and all phases of contract administration in obtaining supplies and services for the CACFP is allowable.

5.4 Typical Allowable Costs, continued

14. **Retirement Benefits** - Sponsoring Organizations may elect to allow employees a retirement benefit. The employee's contribution must be matched by the employer in a viable retirement plan approved by the sponsor's board and would, at a minimum, set limits on time of service required for investiture, accessibility of retirement funds and qualifications for receipt of funds upon retirement.

15. **Travel Expenses** -

a) **Lodging** - The allowable cost of in-state lodging will be established by the State Agency on an annual basis. For out- of- state, lodging costs can be the actual cost if staying at the arranged accommodations for the conference/meeting. Receipts for lodging must be maintained. Out-of-state lodging costs for any other CACFP business would be reimbursed at the current out-of-state per diem.

b) **Meal Allowance** – In-state and out-of-state meal allowance is established annually by the Sponsoring Organization, not to exceed the daily per diem established by the State Agency. Receipts for meals are not required.

c) **Mileage** - If vehicles owned by the sponsoring organization or any of its employees are used for CACFP administrative duties, a mileage allowance not to exceed the State Agency's prevailing rate may be charged to the CACFP. The mileage allowance is considered to be the full cost for operating the vehicle including fuel, depreciation, insurance, and maintenance, but excluding the driver's salary. Documentation to support mileage costs charged to the CACFP must include:

*Records of the date of each trip, driver's name, mileage, the origin and destination of each trip, parking receipts, and the reason for each trip need to be included. These records must be signed by the employee and the authorizing official to be reviewed and to ensure that costs are reasonable.

d) **Out of State Travel Expense** - Travel expenses may be claimed for persons to attend out-of-state conferences that relate to the CACFP, with prior approval from the State Agency. The number of conference attendees sent by the Sponsoring Organization per year will be determined solely by the Sponsoring Organization's budgetary constraints.

e) **Public Information Service Costs** – Costs associated with pamphlets, news releases, and other information services to inform individuals, groups, or the general public about the CACFP or increase an sponsoring organization's CACFP participation are allowed.

5.4 Typical Allowable Costs, continued

- f) **Travel Within a Single Day** - If travel is within a single day, reimbursement for lunch will be allowed if the travel distance is 35 miles or more from the individual's duty post (home or office). However, if an employee leaves home on official business prior to 6 a.m. and/or is unable to return home until after 8 p.m., meal allowances may be made for breakfast, lunch and/or dinner for the traveler.
- g) **Reimbursement Disallowances** - When overnight accommodations are furnished at no extra cost to the traveler (i.e., room furnished as part of the registration fee), no reimbursement may be claimed for lodging. When meals are included in a registration fee, transportation fares, official functions or are otherwise furnished at no additional cost to the traveler, no reimbursement may be claimed for such meals.
- h) **Inclusions and Exclusions as to Authorized Expenses** - In addition to meals and lodging, the following actual expenses incurred as a necessary part of approved travel may be claimed.
- Registration fees (receipt required);
 - Telephone calls for CACFP business;
 - Commercial transportation cost actually paid by the traveler (may include up to 15% tip for taxi). (Receipt required if over \$35.00 for each individual ride in a commercial vehicle.);
 - Parking fees (receipt required if over \$10.00);
 - Mileage for approved use of private vehicle;
 - Rental car cost when approved (receipt required);
 - Road toll charges;
 - Tips paid in conjunction with meals are included in the meal allowance and cannot be claimed separately;
 - Reimbursement of the cost of traveler's checks. The amount of traveler's checks shall not exceed the estimated out of pocket costs of travel (receipt required).

5.4 Typical Allowable Costs, continued

The following expenses are not authorized for reimbursement:

- Entertainment expenses;
- Personal expenses such as hygiene items, magazines, snacks, etc.;
- Travel insurance; and
- Alcoholic beverages.

16. **Vehicles** – If a Sponsoring Organization or its employees rent or lease a vehicle for program purposes, the rental/leasing fee is an allowable cost. An institution may claim either leasing costs or a mileage allowance but not both for the same vehicle.

Rental costs under less-than-arms-length leases and sales with lease back arrangements are allowable up to the amount that would be allowed had title to the vehicle been vested in the Sponsoring Organization. Costs under lease arrangements that create a material equity are limited to the costs that would be allowed had the institution purchased the vehicle on the date the lease was executed.

If an Sponsoring Organization permits employees to use rented/leased vehicles for personal transportation, the rental/lease fee and any other related cost (fuel, parking fees, etc.) must be prorated between program and nonprogram use.

Any rental/lease car should be of a make and model that is appropriate and economical for use in the CACFP. Luxury cars will not be approved for rental/lease.

Sponsoring Organizations should review FNS Instruction 796-2 (current revision) for further information on CACFP allowable costs, as well as consult with the State Agency

Section 5 Financial Management

5.5 Allowable Costs with State Agency Approval

- A. **Legal Expenses** - The cost of legal expenses required in the administration of the CACFP is allowable. Prorating the cost of legal staff and services solely for the purpose of funding such a staff to perform general responsibilities is unallowable. Legal expenses for the prosecution of claims against the Federal government is unallowable.
- B. **Purchases of Equipment** - There are two types of office equipment, expendable and nonexpendable equipment. Expendable equipment is that which has a useful life expectancy of less than *two* years and an acquisition cost of less than \$5000 per unit. Nonexpendable equipment is that which has a useful life expectancy of more than *two* years and an acquisition cost of \$5000 or more per unit.

1. **Expendable Equipment:** This type of office equipment is an allowable cost in the administration of the CACFP, provided it is part of your approved budget. Upon termination of the Food Service Agreement, any expendable office equipment purchased with federal funds is your property. It is your decision as to the disposition of the equipment.
2. **Nonexpendable Equipment:** Office equipment of this type is not normally an allowable expense; however, depreciation costs on the equipment are allowable, based on a depreciation schedule approved by the State Agency. Some equipment purchased may be allowable if approved in advance as necessary to CACFP operations.

Equipment with a unit acquisition cost of less than \$1,000 may be retained, sold or otherwise disposed of with no further obligation to the federal government. For equipment with a unit acquisition cost of \$1,000 or more, whether retained or sold, the federal government shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the federal share of the equipment. The Sponsoring Organization shall inform the State Agency of its plans to dispose of equipment with a unit acquisition cost of \$1,000 or more. Selling procedures shall be established which will provide for competition to the extent practicable and result in the highest possible return to the Federal government.

C. **Electronic Data Processing (EDP)**

The cost of data processing services for the CACFP is allowable. This cost may include rental of equipment or depreciation on equipment not purchased with federal funds. The acquisition of equipment, whether by outright purchase, lease agreement or other method of purchase is allowable only upon specific prior approval by State Agency.

5.5 Allowable Costs with State Agency Approval, continued

Cost of new EDP systems must meet the criteria for budget approval. Proposal outlines must include software purchases and upgrades.

If EDP equipment has been purchased from an alternate funding source, CACFP cannot be charged rental. However, a use allowance based on 6 2/3% of the total acquisition cost would be allowable.

D. Building Space and Related Facility Costs

The rental cost of space in privately or publicly owned buildings used for the benefit of the CACFP is allowable subject to the conditions stated below. The total cost of space, whether in a privately or publicly owned building, may not exceed the rental cost of comparable space and facilities in a privately owned building in the same locality. The cost of space procured for CACFP use may not be charged to the CACFP for periods of nonoccupancy without prior authorization from State Agency. No portion of a privately owned home, used as a CACFP office, may be charged to the CACFP.

1. **Rental Cost** - The rental cost of space in a privately owned building is allowable. Similar costs for publicly owned buildings newly occupied on or after October 1, 1980 are allowable where "rental rate" systems or equivalent systems that adequately reflect actual costs are employed. Such charges must be determined on the basis of actual cost (including depreciation based on the useful life of the building, interest paid or accrued, operations and maintenance, and other allowable costs). Where these costs are included in rental charges, they may not be charged elsewhere. No costs shall be included for purchases or construction that were originally financed by the Federal Government.
2. **Maintenance and Operation** - The cost of utilities, insurance, security, janitorial service, elevator service, upkeep of grounds, normal repairs and alterations, and the like are allowable to the extent they are not otherwise included in rental or other charges for space.
3. **Rearrangements and Alterations** - Costs incurred for rearrangement and alterations of facilities required specifically for the CACFP or those costs of work that materially increase the value or useful life of the facilities are allowable when specifically approved by State Agency.
4. **Depreciation and Use Allowances** - Depreciation and use allowances on publicly owned buildings are allowable only when specifically approved by State Agency.

E. Insurance and Indemnification

Costs of insurance required or approved and maintained are allowable.

1. Costs of other insurance in connection with the general conduct of activities is allowable subject to the following limitations: types, extent and cost of coverage will be in accordance with general state or local government policy and sound business practices.

5.5 Allowable Costs with State Agency Approval, continued

2. Contributions to a reserve for self insurance approved by the State Agency are allowable to the extent that the type of coverage, extent of coverage and the rates and premiums would have been allowed had insurance been purchased to cover the risks.
3. Actual losses (which could have been covered by permissible insurance through an approved self-insurance program or otherwise) are unallowable unless specifically approved. Losses not covered under nominal deductible insurance coverage, if otherwise in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage and disappearance of small hand tools that occur in the ordinary course of operations, are allowable.

F. Management Studies

The cost of management studies to improve the effectiveness and efficiency of ongoing programs is allowable. The cost of studies performed by agencies other than the State Agency is allowable only when authorized by State Agency.

G. Pre-agreement Costs

Costs incurred prior to the effective date of the grant or contract, whether or not they would have been allowable after the effective date, are allowable only when specifically approved by State Agency.

H. Professional Services

Cost of professional services rendered by individuals or organizations (not a part of the State Agency) are allowable subject to prior State Agency approval.

I. Licensing Assistance

Administrative funds may be used for licensing-related expenses as follows:

The Sponsoring Organization may use up to \$300 from their administrative funds for each new provider to assist with licensing costs, which could include the cost of Alternate Approval for fingerprinting, health inspections, or related equipment such as smoke detectors, fire extinguishers. Expansion funds may be used up to \$300 per provider, for licensing new providers in low- income areas.

The Sponsoring Organization must have documented receipts to support these administrative claims.

Section 5 Financial Management

5.6 Unallowable Costs

- **Administrative Cost** items not included in institution's approved budget.
- **Bad Debts.** Any losses arising from uncollectable accounts, other claims, and related costs.
- **Capital Expenditure Costs** for:
 1. Acquisition of land, or any interests in land.
 2. Acquisition or construction of buildings or facilities.
 3. Nonexpendable equipment of any kind unless approved in advance.
 4. Repairs which materially increase the value or useful life of buildings, facilities or nonexpendable equipment.
 5. Other capital assets including vehicles and local matching funds under the Nonfood Assistance Programs.
- **Check Charges.** NSF check charges for insufficient funds.
- **Contingencies.** Contributions to a contingency reserve or any similar provision for unforeseen events.
- **Costs** to solicit nonprogram business or increase attendance of individuals not eligible for the CACFP.
- **Cost of Food** not used in the program; example: refreshment for workshops.
- **Contributions and Donations.** Federal funds cannot be used as contributions or donations.
- **Entertainment.** Cost of amusements, social activities and incidental related costs, such as meals, beverages, lodgings, rentals, transportation, gratuities.
- **Expensing of Nonexpendable Personal Property.** The direct expensing of the following nonexpendable personal property is not permitted under any circumstances; however, the acquisition cost of these items may be depreciated.
 1. Buildings, additions, capital alterations to buildings, and land improvements;
 2. General purpose equipment, including office equipment and furnishings;
 3. Air conditioning equipment;

5.6 Unallowable Costs, continued

4. Reproduction and printing equipment;
 5. Motor vehicles; and
 6. Automatic data processing equipment used for both program and general administrative purposes.
- **Fines and Penalties.** Costs resulting from violations of, or failure to comply with federal, state or local laws and regulations.
 - **Fund Raising.** Financial campaigns, endowment drives, solicitation of gifts and bequests and similar expenses incurred to raise capital or obtain contributions.
 - **Incentive payments.** Sponsoring organizations may not provide compensation or incentive payments based on the number of homes recruited or monitored to any individual, provider, employee or contractor.
 - **Interest and Other Financial Costs.** Interest charges on loans, any interest paid as part of a lease/purchase agreement, bond discounts and financing/refinancing operations or the taxes and legal/professional fees in connection with financing/refinancing operations.
 - **Legislative Expenses.** Salaries and other expenses of local governmental bodies such as county supervisors, city councils, school boards, etc., whether incurred for purposes of legislation or executive direction are unallowable program costs.
 - **Lobbying and Advocacy Costs.** The costs associated with any attempt to influence the award, amount, nature, or renewal of a Federal award or grant are unallowable and cannot be charged to the program. Membership costs, dues or fees paid to organizations that devote a substantial part of their activities to influencing legislation are unallowable charges to the program. In addition, any costs incurred by an institution in soliciting contributions for a prohibited lobbying activity are not allowed. Please refer to 7 CFR 3018 for specific reporting requirements for institutions that expend non-Federal funds on prohibited lobbying activities.

For private nonprofit and proprietary institutions, the costs directly or indirectly associated with the following activities are unallowed.

1. The costs of attempts to influence the outcome of any Federal, State or local election, referendum, initiative or similar procedure;
2. Contributions to any political party, campaign, political action committee or other organization established for the purposes of influencing the outcome of elections, lobbying and/or advocacy;
3. Any attempt to influence the introduction of Federal or State legislation through communication with any member or employee of Congress or State legislatures including

5.6 Unallowable Costs, continued

attempts to influence State or local officials to engage in similar lobbying activity, or with any government official or employee in connection with a decision to sign or veto enrolled legislation.

- **Rent.** No portion of a privately owned home used as a CACFP office.

BUDGET INSTRUCTIONS

ADMINISTRATIVE LABOR

- Maximum salary increase to be determined annually based on the Consumer Price Index for all Urban Consumers.
- To determine full-time hours the following guidelines may be used:
 - 173 hours per month is considered full time.
 - 173 labor hours per 50 homes are recommended. (number of projected homes x 3.46)
- The total administrative labor category may not exceed 75 percent of the total budget.
- If a retirement plan is implemented, it must be funded on a 50-50-split basis between employer and employee.
- If other benefits are provided the budget must indicate the percentage and dollar amount paid by the employee and the portion paid by the Sponsoring Organization.

ADMINISTRATIVE SUPPLIES

- List all office furniture and equipment used by the Sponsoring Organization and any planned purchases in the fiscal year costing less than \$5000, claimed as direct cost towards the program expense.
- List all furniture and equipment costing more than \$5000 and the depreciation schedule. Projected expenses for non-expendable items over \$5000 must be accompanied by three bids/quotes and a statement of justification of need.
- List all office supplies and their cost.

ADMINISTRATIVE PURCHASED SERVICES

- If increases are requested for fixed expenses (i.e., official rental), submit documentation justifying the increase.

ADMINISTRATIVE PER DIEM

- Mileage reimbursement is the State reimbursement rate that is provided each year in the renewal packet and updated with Sponsoring Organizations as state policies are updated.
- A per meal allowance should be established by the Sponsoring Organization that does not exceed the total daily State per diem. The per diem rate is provided in the renewal packet and updated as necessary.
- Do not include out-of-state travel in the proposed budget; a temporary budget amendment must be requested at least 30 days before out-of-state travel commences.
- Lodging reimbursement may not exceed the State rates for in state and out-of-state, except conference room rates may exceed the rate set by the State. Reimbursement rates do not include taxes that may be added to the rate. The most current in-state lodging reimbursements will be sent each year in the renewal packet. Out-of-state lodging and per diem rates may be obtained from the State Agency. Any amounts exceeding the limit are not reimbursable. All lodging claims require receipts.

NUTRITION EDUCATION

- All costs and expenses directly related to nutrition education must be listed.
- A minimum of 1.5% of the total budget must be spent on nutrition education.
- Nutrition education includes provider and staff training.
- Costs may include, but are not limited to, nutrition-related publications, printing of materials, keynote/guest speakers, room rental, workshop equipment rental, supplies (other than listed in the "Supplies" category), registration fees for staff and other related costs.

SECTION 6 PROVIDER PARTICIPATION

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Section 6

Provider Participation

6.1

Recruiting Practices

Recruitment efforts by Sponsoring Organizations shall be limited to providers who are not currently participating with another Sponsoring Organization. If a Sponsoring Organization contacts a potential provider in an attempt to enroll him/her, and the provider is already enrolled in the CACFP, all recruitment efforts should be discontinued.

Any provider determined by the State Agency or USDA to have a current or pending fiscal action with respect to CACFP reimbursement, which should entail a listing on the National Seriously Deficient List, cannot be recruited by another Sponsoring Organization until the financial liability has been fully recovered.

Section 6 Provider Participation

6.2 Adds/Drops

Additions

To add new providers, a New Provider Information Sheet (Exhibit 6-1) must be submitted to the State Agency by the 10th of the month.

Providers are eligible to claim meals served beginning on the date the agreement is signed with the Sponsoring Organization. Sponsoring Organization's must submit their paperwork to the State Agency by the 10th of the month.

Terminations

To terminate providers from participation, the Sponsoring Organization must submit the Dropped Provider Information Sheet (Exhibit 6-2) to the State Agency by the 10th of the month following the month the provider was terminated. The "Reason Dropped" and the "Index code" must be completed.

Participation in CACFP shall automatically terminate under the following circumstances:

1. If the provider discontinues active child care and/or claiming on CACFP for more than 6 months
2. If certification is revoked by the authorizing agency (DES, DHS, Military or Tribal).
3. If the provider is dropped for cause or convenience

A provider who has voluntarily terminated participation in the CACFP but plan to enroll with another sponsor is called a transfer. A provider may transfer to another Sponsoring Organization providing the following conditions have been met:

1. The provider has notified the previous Sponsoring Organization in writing of his/her intention to terminate participation
2. The provider submits written documentation of nutrition training attended in the previous 6 months, or the provider participates in training offered by the new Sponsoring Organization
3. The provider has current health and fire inspections, or obtains these certifications if they are not current. Alternatively, the provider possesses a current DES certification or DHS license
4. The provider has a current fingerprint card issued by DPS, and the new Sponsoring Organization validates the card
5. The provider is not listed on the National Seriously Deficient List and does not have a CACFP related financial liability to a previous Sponsoring Organization

Section 6 Provider Participation

6.3 Provider Transfers

Transferring between Sponsoring Organizations

A provider who wishes to transfer from one Sponsoring Organization to join another must send written notification of termination to the current Sponsoring Organization. If the provider has not completed the required two hour CACFP related and approved training within the fiscal year, the provider can not transfer to another Sponsoring Organization until completing this requirement.

A family/group child care home provider may transfer from one Sponsoring Organization to another. The following procedures shall be followed when a transfer is made:

- Provider shall:
 1. Notify new Sponsoring Organization of transfer date.
 2. Send written transfer notification to current Sponsoring Organization
- Transfers shall occur at the beginning of a calendar month and:
 1. Transfers shall not be back-dated
 2. The Sponsoring Organization may not claim with more than one State Agency for any one month.
- The Sponsoring Organization enrolling the provider shall complete appropriate paperwork for the provider's file and:
 1. Send the provider's information on the New Provider Information Sheet (Exhibit 6-1) to the State Agency by the 10th of the month in which the provider is added
 2. Begin claiming the provider the month the transfer has been completed
 3. Ensure provider has received training within the past six months or provide training
- The former Sponsoring Organization shall:
 1. Send the provider's information on the Dropped Provider Information Sheet to the State Agency by the 10th of the month in which provider is dropped
 2. Claim the provider up to the official transfer date

A provider may transfer only one time within a Federal Fiscal year (October 1 to September 30).

A Sponsoring Organization may not accept more than one home per month from any other Sponsoring Organization's.

6.3 Provider Transfers, continued

Transferring Status

A DHS or DES provider may change to an Alternate Approved provider; the following procedures will be followed:

- The Sponsoring Organization shall:
 1. Determine that the provider has not had their license or certification revoked or is on suspension by contacting the Appropriate state agency
 2. Have a fire and health inspection conducted within 45 days of start date
 3. Ensure the home has passed the fire and health inspection. Must be within the current fiscal year
 4. Have the provider sign the *Child Care Standards* (Exhibit 6-3)
 5. Complete fingerprinting only if s/he does not have a current fingerprint clearance card
 6. Submit the change of status in the “Status Code” section on the *New Provider Information Sheet* and submit to the State Agency by the 10th of the month following completion of the status change

Providers must have a current fingerprint card

- S/he is transferring from one Sponsoring Organization as a certified DES or licensed DHS to another sponsor as an AA home, or
- S/he has terminated their participation

Section 6 Provider Participation

6.4 Homes Dropped for Cause or Convenience

A provider may be dropped under the following provisions:

Provider's request – After being dropped, a provider wishing to return to the program with the same Sponsoring Organization or a new Sponsoring Organization must;

1. Have a valid fire and health inspection
2. Be re-fingerprinted, or have current fingerprint clearance

Convenience - A Sponsoring Organization may drop a home for convenience at any time. Reasons for dropping a home for convenience include:

1. Inability of the provider to meet the requirements of the Program;
2. Inaccessibility of the home
3. Sponsoring Organization's financial and geographic considerations
4. The Sponsoring Organization cannot meet the needs of the provider
5. Any other reasons of convenience

A provider dropped for convenience may subsequently enroll with another Sponsoring Organization

Cause - A Sponsoring Organization must drop a provider for cause under the following circumstances and when the provider has failed to comply with the written corrective action prescribed by the Sponsoring Organization. In all cases, the Sponsoring Organization must have documentation to support the action taken

1. Serious, continuous record-keeping errors
2. Meals that consistently do not meet CACFP meal pattern requirements
3. Number of children claimed is greater than number of children enrolled
4. Number of meals claimed is greater than the number of children in attendance
5. Participation under more than one Sponsoring Organization at the same time
6. Home not open for monitoring visits
7. Fraudulent practices; (deliberate deception in order to secure unfair or unlawful gain) an example may include purposely claiming meals not served to children
8. Revocation or denial of certification on license by DES or DHS due to criminal background checks.
9. Noncompliance with Civil Rights requirements
10. Imminent danger to children, which includes anything so defined in certification standards, and anything a reasonable person could determine to be hazardous to children's health and safety. Imminent danger to children demands immediate suspension of the provider and a report to the Child Protective Services;
11. Not informing the Sponsoring Organization about changes in child enrollment (e.g. claiming children formerly enrolled and not submitting enrollments forms reflecting the actual children in care; or
12. DES/DHS revocation and/or revocation of the fingerprint clearance card

6.4 Homes Dropped for Cause or Convenience, continued

Before dropping a home for cause, the provider must be given every reasonable opportunity to correct problems and be given additional training and technical assistance by the Sponsoring Organization, if applicable. The Sponsoring Organization shall issue a written corrective action plan and must follow-up with the provider within the prescribed time frame. If the provider fails to comply with and implement the corrective action, the Sponsoring Organization must send the provider a notice of intent to terminate (based on their individual termination policy) to the provider and grant the provider a reasonable amount of time to appeal; 30 days is suggested. During this period of time, the Sponsoring Organization must continue to process the provider's claim for reimbursement to the extent its accuracy can be verified. If the provider loses the appeal, or chooses not to appeal the intent to terminate, the Sponsoring Organization may finalize the termination at that time. The Sponsoring Organization must submit the name, address and telephone number of the provider to the State Agency for inclusion on the National Seriously Deficient List.

The above does not apply to substantiated fraudulent practices with respect to CACFP or to imminent danger to children as described in the above circumstances. If a provider is a DES provider and involved in fraudulent practices the Sponsoring Organization is responsible for notifying DES. Providers who are certified/licensed by DES, DHS, military or tribal may have their certificate/license suspended or revoked for noncompliance that could impact the health or safety of the children in care. Notification of a suspended or revoked certificate/license must come from the certifying/licensing agency and be verified through a CACFP Program Specialist.

If the certificate is revoked for health, safety, fingerprint results, fraud issues or serious noncompliance issues, these providers must be dropped for cause. In the event a child is in imminent danger the Sponsoring Organization must notify Child Protective Services immediately and document this information in the provider's records. For these two circumstances the Sponsoring Organization may immediately terminate the provider for cause based upon supporting documentation (e.g. the submission of written parent verifications substantiating the fraud, a monitor witnessing a provider abuse or neglect a child).

Providers dropped for cause are unable to participate on CACFP at any point in the future, unless their certifying entity (e.g. DES or DHS) were to reinstate their certification or license).

Section 6 Provider Participation

6.5 Provider Training

Provider Training

All new homes shall be trained in CACFP recordkeeping requirements, CACFP regulations, and the benefits of the CACFP prior to the beginning of program operations. This initial training *may* fulfill the annual training requirement for the current fiscal and program year. On-going training (at least two hours) must be provided to all homes at least once each program year thereafter.

The topics selected for annual training will depend on the audience and available resources. Topics should include but are not limited to:

- Meal patterns
- Menu records
- Meal types
- Monitoring reviews
- Reimbursement
- Safety and Sanitation
- Termination
- Record-keeping
- Nutrition Education

This training must be given in detail through workshops or in-home annual training and must be documented in each provider's file. Documentation must include sign-in roster, agenda, location and date or individual forms signed by the provider if done during an in-home training. Training may not occur in conjunction with a regularly scheduled monitoring visit, as this does not allow adequate quality time.

Training from other Sponsoring Organizations or various agencies such as Child Care Resource and Referral organizations and community colleges may fulfill the annual training requirement under the following conditions:

- the Sponsoring Organization continues to offer annual training,
- the objectives and topics of the training are submitted to the State Agency for approval and
- the training must relate to the CACFP.

An agenda of the topics covered during annual training must be made available to the State Agency upon request during an administrative review.

6.5 Provider Training, continued

Training Objectives and Evaluation

Three standards contained in the Food and Nutrition Management Improvement Guidance Handbook can be used to measure proficiency of Sponsoring Organization staff.

- Compliance with child care home administrative requirements
- Compliance with meal service requirements and nutrition standards
- Promotion of health safety and well being of children in care

A. A Training Objective will help the participants achieve the expected outcome. A training objective has three parts:

- Subject: The provider
- Action verb: will name, will list, will identify, etc.
- Measurable result: three menu errors are identified, two meal count errors are identified, identifying foods high in sugar, fat and/or salt and offering alternatives to these foods, encouraging the addition of new items to the menu, etc.

A training objective shall be developed prior to planning the lesson outline. With an objective in mind, the lesson is taught to meet the objective. An evaluation must be conducted to determine the provider's comprehension of the materials presented.

The following items must be listed on a form for evaluation:

- facilities
- content
- visual aids
- handouts
- overall training
- suggestions for future topics
- the value of the training - was knowledge of the CACFP increased

Training Costs

Sponsoring Organizations may not charge providers for the cost of trainings. However, if a meal is provided the Sponsoring Organization may charge for the meal. The costs of the trainings must be in the State Agency approved budget.

Section 6 Provider Participation

6.6 Provider Records

Child care home providers must maintain daily records of:

- meal counts
- menu records

Sponsoring Organizations are responsible for compiling monthly meal counts, menu records, and monitoring provider records for accuracy on a monthly basis.

Child care home providers are not required to maintain documentation of their Food Service operating costs as a condition to participate with CACFP. However, this does not apply to establishing income for free or reduced-price eligibility determinations.

Sponsoring Organization's should always advise providers to check with a tax advisor and/or licensed accountant to verify deductions are approved under the current tax code.

Section 6 Provider Participation

6.7 Documenting Shift Care and Overlap Care

Shift care occurs when a provider cares for more than one group of children during a time period (i.e. one group of children leaves and another group of children subsequently arrives) or when the same meal services are delivered at different times to best meet the needs of the children (e.g. school aged children are fed breakfast at 7:15 prior to their departure for school and preschool aged children are fed breakfast at 7:45 when they are hungry). Each group may be served a meal. A claim presented by this provider may appear to have claims exceeding the licensed capacity, however, the provider must never exceed the authorized capacity.

Shift care is allowable under the CACFP, however, the Sponsoring Organization must ensure the appropriate times are listed and approved on the provider's application form, and must monitor the provider closely to ensure the provider did not exceed any authorized capacity limits. The Sponsoring Organization should also document in provider files any provision of shift care. This documentation shall include:

- Time tracking form, or
- Designation on the meal count form of those children in shift care and the times of shift care, or
- Maintenance of time in/time out records for providers claiming shift care.

Overlap care occurs when a provider cares for children in excess of the authorized capacity. Overlap care is not allowed in Arizona.

SECTION 7 PROGRAM OVERSIGHT

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Section 7

Program Oversight

7.1

Program Compliance Verification

The purpose of the CACFP administrative review is to ensure the Sponsoring Organization is administering the program in accordance with federal and state laws, regulations and policies, and to provide technical assistance in any areas relating to the program. The State Agency must assess whether the organization is financially viable, administratively capable and has internal controls in place to ensure Program accountability. At a minimum, the most recent month for which a claim is submitted will be reviewed. Financial records for three months will also be reviewed.

Records maintained by the Sponsoring Organization serve as a basis for program compliance verification. At a minimum, the areas and records that will be reviewed are as follows (see Exhibit 7.1 for a categorized list):

Reimbursement Claim	Enrollment Forms	Provider Applications
Tiering Determinations	Civil Rights	Per Diem Costs
Warrant Statements	Income Applications	Provider Agreements
Board Organization,	Labor Costs	Inspection Forms
Responsibilities & Bylaws	Training Records	Current Certifications
Provider Meal Counts	Supply Costs	Certificates/Licenses
Provider Menus	Monitoring Visits	Child Care Standards
Records of Provider Reimbursement	Purchased Service	Ratio Requirements

The State Agency will review the Tier determinations and mis-classified providers will be correctly classified. Overclaims will be assessed when systemic errors are found in the determination process. Income applications will be evaluated to determine if providers' own children are eligible for reimbursement or if children in care are eligible for Tier I rates in a Tier II home. Incomplete applications for the month reviewed will be invalid and all meals claimed disallowed.

Once income application forms have been reviewed, meal count sheets and enrollment records will be checked to verify that each child claimed was enrolled when the meal was claimed. Once the meal count is determined for the test month, an overclaim or underclaim may be assessed. If the meal count results in an overclaim, or underclaim, the State Agency will revise the claim.

Menus will be reviewed to determine if the children were receiving allowable meal components. If the required components are not served, meals will be disallowed. Menus will also be reviewed to determine the Sponsoring Organization's level of accuracy in reviewing menus. Sponsoring Organizations are expected to review menus, disallow meals when needed, and provide technical assistance to the provider. Additionally menus will be analyzed for variety and nutritional adequacy.

Meals will be disallowed if the records reviewed do not support the claim for reimbursement.

7.1 Program Compliance Verification, continued

Any overclaims may be appealed by the Sponsoring Organization by following the Appeal Procedures (see section 7.8).

Charges to the State Agency for administrative costs will be reviewed for accuracy and allowability in accordance with the current FNS Instruction 796-2. (See Sections 5 and 8 for information on allowable costs and records to support administrative costs, respectively).

Expansion funding is contingent on program compliance. The State Agency will also evaluate independent audits and state and federal level reviews. A seriously deficient determination may be made on the basis of the outcome of the reviews. Expansion funds may be denied if there are serious deficiency findings.

Section 7

Program Oversight

7.2

Frequency of Administrative Review

Sponsoring Organizations will be reviewed at least once every three years in accordance with the law. Sponsoring Organizations having a history of program non-compliance – as determined on the basis of their administrative reviews and independent audits – may be reviewed on a more frequent basis. New Sponsoring Organizations shall receive a review within the first 90 days of program operations.

Federal and State agencies can review providers and Sponsoring Organizations with or without advance warning. The Food Nutrition Services (FNS) regularly conducts announced and unannounced visits of CACFP programs. The State Agency may conduct unannounced administrative reviews. (Reference memo DCH 27-00 dated December 14, 1999).

An Sponsoring Organization's agreement with participating family child care providers states, "Providers must allow representatives from the Sponsoring Organization, USDA and Arizona Department of Education to come into the provider's home for the purpose of reviewing the CACFP operations. This will be done no less than three times a year with at least one visit unannounced".

Section 7

Program Oversight

7.3

Seriously Deficient

Under certain conditions, a Sponsoring Organization may be determined by the State Agency or by USDA to be seriously deficient, or a portion of its program operations may likewise be determined to be seriously deficient. A serious deficiency is a violation of Program regulations that impacts either the financial viability, organizational capability or internal controls which are all necessary for successful Program operation. If a Sponsoring Organization is seriously deficient, they will be required to comply with a corrective action plan by the State Agency that must be implemented within a specified time. Failure to comply with the corrective action plan shall result in termination from the CACFP. Conditions by which a Sponsoring Organization may be considered seriously deficient may include, but are not limited to:

- Noncompliance with applicable bid procedures and contract requirements
- Submission of false information to the State Agency
- Failure to maintain adequate records
- Claiming of program payments for meals not served to participating enrolled children
- Service of a significant number of meals that do not include required quantities of all meal components
- Failure to accept final financial and administrative responsibility for the fulfillment of the terms of the agreement
- History of administrative or financial mismanagement in any Federal child nutrition program

As a result of serious deficiency a Sponsoring Organization will/can be capped, at their current level of growth, for one to twelve months contingent upon implementation of corrective actions. If corrective actions have been implemented, within the specified time frame, and are being actively maintained, the State Agency will lift imposed cap. If corrective actions are not implemented and maintained, the Sponsoring Organization will be terminated in accordance with 7 CFR 226.6. and will be placed on the National Termination List rendering the organization and its principles ineligible to participate on CACFP in the future. A Sponsoring Organization found to be conducting business in a fraudulent manner shall be terminated from the CACFP immediately.

Section 7

Program Oversight

7.4

Over Ratio Providers

The Child and Adult Care Food Program provides reimbursement for meals served to eligible children in the care of approved providers. Providers who are over ratio do not provide approved care in accordance with licensing, certification or Alternate Approval regulations.

Providers are over ratio if any of the following situations occur:

- The provider is caring for more than 4 children for compensation in a family child care setting
- The provider is caring for more than 10 children for compensation in a group home, even if the total number is within the Department of Health approved capacity of 15 children
- A group home does not have the minimum of 1 caregiver to 5 children.
- The provider is caring for more children than allowed by licensing, certification or alternate approval standards as required by Military, Tribal or state standards.

Over ratio providers may be identified at the time of a monitoring visit, when menus are evaluated, or when a substantiated complaint from DHS is received. Sponsoring Organizations should give providers the opportunity to come into compliance. Documentation must be kept of corrective action taken with an over ratio provider; Sponsoring Organization review forms may be used for this purpose.

Providers substantiated to be over ratio must be determined by the Sponsoring Organization to be seriously deficient, and shall be required to implement corrective action consisting of adhering to required ratios within the prescribed time frame (see Section 6.4). Failure to come into compliance with the corrective action will result in Program termination.

Section 7

Program Oversight

7.5

Pre-approval Visits

Sponsoring Organizations accept responsibility for the CACFP management of each child care home provider under their sponsorship. It is required that the Sponsoring Organization trains the child care home provider on the CACFP requirements before participation begins.

The Sponsoring Organization shall visit each new potential child care home provider for which application is made. The purpose of this visit shall be to:

- Train the provider on CACFP requirements and Sponsoring Organization's policies
- Explain the Provider Application and the Agreement
- Review the provider's food service operation to determine if the provider can meet the CACFP requirements
- Determine that the provider is able to maintain the required records.

The Sponsoring Organization must document that a pre-approval visit was made and the above information was reviewed with the provider. Some of this information may be covered in a group training session, however, this does not replace the on-site pre-approval visit.

Section 7

Program Oversight

7.6

Provider Monitoring Visits

Monitoring Visits

Monitoring visits for child care homes under the Sponsoring Organization's jurisdiction shall be completed at least three times each year, with no more than six months between consecutive reviews. At least one review must be made during each new provider's first 28 days (four weeks) of CACFP operations. CACFP operations begin from the time a provider claims their first meal. The pre-approval visit does not count as one of the monitoring visits. One of the monitoring visits must be unannounced. The number of visits a new provider has during a FY will be determined when they begin claiming meals. The following schedule should be used as a guide:

New providers who begin claiming in:

- October – January require 3 visits
- February – May require 2 visits
- June – September require 1 visit

The Sponsoring Organization shall review at a minimum:

- Menus
- Meal count records
- Food storage areas are clean, sanitary and kept at the recommended temperature (refer to applicable county/state health codes and the Management Improvement Guidance, Provider Standards section)
- The use of creditable foods
- Sanitation relating to the meal service
- Enrollment and attendance records
- Enrollment documentation
- Adequacy of meal on day of visit

The following items shall be included on the monitoring form:

- Name of Sponsoring Organization
- Type of visit – 4-week, 1st, 2nd, 3rd; announced/unannounced; weekend/evening
- Date of review
- Arrival time; departure time
- Name of provider
- Number of caregivers present
- Names of children present
- Children for whom compensation is/is not received
- Names of children expected to arrive
- Type of home (e.g. DES) and staff to child ratio
- Menus are current
- Enrollment forms are current
- Correct meal times as stated on the application
- Family or unit meal service
- Meal attendance is current
- Meal observed and menu
- Meal/snack CACFP requirements met for child and infant
- Child and infant menus are up-to date
- Any menu errors; describe
- Menus/meals served provide variety
- Provider and reviewer's comments and signatures
- Fire evacuation plan is posted

7.6 Provider Monitoring Visits, continued

The Sponsoring Organization shall observe a meal service for at least two of the three monitoring reviews. Resolution of problems should be sought in the form of documented corrective action and noted in subsequent reviews within the required time frame. For providers claiming suppers, weekend meals, or providing shift care, at least one of the three monitoring visits should be made during these times (unannounced visits are strongly recommended). Documentation of each visit shall be retained in the provider's file.

Sponsoring Organizations must also verify that information is being provided to the parents of enrolled children with information that describes the CACFP and its benefits, as well as the name and telephone number of the Sponsoring Organization and the State Agency in a language(s) that is easily understandable.

Section 7

Program Oversight

7.7

Provider Claim Edit Checks

The following information must be verified for 100% accuracy by the Sponsoring Organization:

- Reimbursement does not exceed two meals and one snack or two snacks and one meal per child per day
- Each child claimed is enrolled at the child care home
- A menu meeting the required meal pattern is submitted for each meal claimed
- Providers' own children and foster children are claimed only if the child(ren) is/are eligible for free or reduced-price meals and at least one other enrolled nonresident child is present and participating in the meal service
- Reimbursement is not claimed for meals served to children in excess of ratios
- Only meal types specified in providers' approved applications are claimed
- Breakfast may not be claimed if enrolled children attend a school, child care center or Head Start in which breakfast is served and the child participates
- The provider does not claim meals eaten by children at school
- Children claimed are eligible on the basis of age

Phone verification and recording of meal components by Sponsoring Organization is unacceptable, however Sponsoring Organization's may contact a provider for clarification when the menus are not legible.

The Sponsoring Organization shall establish meal claim edits that check all of the bulleted items listed above.

Section 7
Program Oversight

7.8
Sponsoring Organization Appeal Rights

**CHILD AND ADULT CARE FOOD PROGRAM
APPEAL PROCEDURES**

Child and Adult Care Food Program sponsors may appeal audits and/or reviews under one or more of the following conditions:

1. Your participation in the Child and Adult Care Food Program has been terminated.
2. Your participation has been denied.
3. An adjustment for reimbursement or an overpayment has resulted
4. Denial of advance payments. Denial of start-up funds.

If you appeal, follow the procedures below:

1. A written request for an appeal must be received by the Department of Education no later than fifteen (15) calendar days after receipt of the audit or review report. Requests should be sent to the attention of Mr. Ralph Romero, Child Nutrition Appeal Official, Arizona Department of Education, 1535 West Jefferson, Phoenix, AZ 85007. The State shall acknowledge the receipt of the request for appeal within ten (10) calendar days.
2. You may refute the charges contained in the report in person and by written documentation.
3. Written documentation refuting the charges must be filed with the appeal official no later than thirty (30) calendar days after you receive the report.
4. You may retain legal counsel or be represented by another person.
5. A hearing will be held by the appeal official if you request it when requesting the appeal (failure of your representative to appear at a scheduled hearing will constitute your waiver of the right to a personal appearance with the appeal official, unless the appeal official agrees to reschedule the hearing).
6. Any information on which the audit or review action was based is available for your review.
7. The appeal official shall make a determination based on the information provided by the Child Nutrition Programs Unit, Arizona Department of Education, and by you in accordance with the program regulations. The determination by the appeal official is the final administrative determination available to you.

7.8 Sponsoring Organization Appeal Rights, continued

8. You will be notified of the determination within sixty (60) calendar days of the Arizona Department of Education's receipt of the request for an appeal.
9. The action suggested by the audit or review report will remain in effect during the appeal process.

SECTION 7 PROGRAM OVERSIGHT

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Section 7

Program Oversight

7.1

Program Compliance Verification

The purpose of the CACFP administrative review is to ensure the Sponsoring Organization is administering the program in accordance with federal and state laws, regulations and policies, and to provide technical assistance in any areas relating to the program. The State Agency must assess whether the organization is financially viable, administratively capable and has internal controls in place to ensure Program accountability. At a minimum, the most recent month for which a claim is submitted will be reviewed. Financial records for three months will also be reviewed.

Records maintained by the Sponsoring Organization serve as a basis for program compliance verification. At a minimum, the areas and records that will be reviewed are as follows (see Exhibit 7.1 for a categorized list):

Reimbursement Claim	Enrollment Forms	Provider Applications
Tiering Determinations	Civil Rights	Per Diem Costs
Warrant Statements	Income Applications	Provider Agreements
Board Organization,	Labor Costs	Inspection Forms
Responsibilities & Bylaws	Training Records	Current Certifications
Provider Meal Counts	Supply Costs	Certificates/Licenses
Provider Menus	Monitoring Visits	Child Care Standards
Records of Provider Reimbursement	Purchased Service	Ratio Requirements

The State Agency will review the Tier determinations and mis-classified providers will be correctly classified. Overclaims will be assessed when systemic errors are found in the determination process. Income applications will be evaluated to determine if providers' own children are eligible for reimbursement or if children in care are eligible for Tier I rates in a Tier II home. Incomplete applications for the month reviewed will be invalid and all meals claimed disallowed.

Once income application forms have been reviewed, meal count sheets and enrollment records will be checked to verify that each child claimed was enrolled when the meal was claimed. Once the meal count is determined for the test month, an overclaim or underclaim may be assessed. If the meal count results in an overclaim, or underclaim, the State Agency will revise the claim.

Menus will be reviewed to determine if the children were receiving allowable meal components. If the required components are not served, meals will be disallowed. Menus will also be reviewed to determine the Sponsoring Organization's level of accuracy in reviewing menus. Sponsoring Organizations are expected to review menus, disallow meals when needed, and provide technical assistance to the provider. Additionally menus will be analyzed for variety and nutritional adequacy.

Meals will be disallowed if the records reviewed do not support the claim for reimbursement.

7.1 Program Compliance Verification, continued

Any overclaims may be appealed by the Sponsoring Organization by following the Appeal Procedures (see section 7.8).

Charges to the State Agency for administrative costs will be reviewed for accuracy and allowability in accordance with the current FNS Instruction 796-2. (See Sections 5 and 8 for information on allowable costs and records to support administrative costs, respectively).

Expansion funding is contingent on program compliance. The State Agency will also evaluate independent audits and state and federal level reviews. A seriously deficient determination may be made on the basis of the outcome of the reviews. Expansion funds may be denied if there are serious deficiency findings.

Section 7

Program Oversight

7.2

Frequency of Administrative Review

Sponsoring Organizations will be reviewed at least once every three years in accordance with the law. Sponsoring Organizations having a history of program non-compliance – as determined on the basis of their administrative reviews and independent audits – may be reviewed on a more frequent basis. New Sponsoring Organizations shall receive a review within the first 90 days of program operations.

Federal and State agencies can review providers and Sponsoring Organizations with or without advance warning. The Food Nutrition Services (FNS) regularly conducts announced and unannounced visits of CACFP programs. The State Agency may conduct unannounced administrative reviews. (Reference memo DCH 27-00 dated December 14, 1999).

An Sponsoring Organization's agreement with participating family child care providers states, "Providers must allow representatives from the Sponsoring Organization, USDA and Arizona Department of Education to come into the provider's home for the purpose of reviewing the CACFP operations. This will be done no less than three times a year with at least one visit unannounced".

Section 7

Program Oversight

7.3

Seriously Deficient

Under certain conditions, a Sponsoring Organization may be determined by the State Agency or by USDA to be seriously deficient, or a portion of its program operations may likewise be determined to be seriously deficient. A serious deficiency is a violation of Program regulations that impacts either the financial viability, organizational capability or internal controls which are all necessary for successful Program operation. If a Sponsoring Organization is seriously deficient, they will be required to comply with a corrective action plan by the State Agency that must be implemented within a specified time. Failure to comply with the corrective action plan shall result in termination from the CACFP. Conditions by which a Sponsoring Organization may be considered seriously deficient may include, but are not limited to:

- Noncompliance with applicable bid procedures and contract requirements
- Submission of false information to the State Agency
- Failure to maintain adequate records
- Claiming of program payments for meals not served to participating enrolled children
- Service of a significant number of meals that do not include required quantities of all meal components
- Failure to accept final financial and administrative responsibility for the fulfillment of the terms of the agreement
- History of administrative or financial mismanagement in any Federal child nutrition program

As a result of serious deficiency a Sponsoring Organization will/can be capped, at their current level of growth, for one to twelve months contingent upon implementation of corrective actions. If corrective actions have been implemented, within the specified time frame, and are being actively maintained, the State Agency will lift imposed cap. If corrective actions are not implemented and maintained, the Sponsoring Organization will be terminated in accordance with 7 CFR 226.6. and will be placed on the National Termination List rendering the organization and its principles ineligible to participate on CACFP in the future. A Sponsoring Organization found to be conducting business in a fraudulent manner shall be terminated from the CACFP immediately.

Section 7

Program Oversight

7.4

Over Ratio Providers

The Child and Adult Care Food Program provides reimbursement for meals served to eligible children in the care of approved providers. Providers who are over ratio do not provide approved care in accordance with licensing, certification or Alternate Approval regulations.

Providers are over ratio if any of the following situations occur:

- The provider is caring for more than 4 children for compensation in a family child care setting
- The provider is caring for more than 10 children for compensation in a group home, even if the total number is within the Department of Health approved capacity of 15 children
- A group home does not have the minimum of 1 caregiver to 5 children.
- The provider is caring for more children than allowed by licensing, certification or alternate approval standards as required by Military, Tribal or state standards.

Over ratio providers may be identified at the time of a monitoring visit, when menus are evaluated, or when a substantiated complaint from DHS is received. Sponsoring Organizations should give providers the opportunity to come into compliance. Documentation must be kept of corrective action taken with an over ratio provider; Sponsoring Organization review forms may be used for this purpose.

Providers substantiated to be over ratio must be determined by the Sponsoring Organization to be seriously deficient, and shall be required to implement corrective action consisting of adhering to required ratios within the prescribed time frame (see Section 6.4). Failure to come into compliance with the corrective action will result in Program termination.

Section 7

Program Oversight

7.5

Pre-approval Visits

Sponsoring Organizations accept responsibility for the CACFP management of each child care home provider under their sponsorship. It is required that the Sponsoring Organization trains the child care home provider on the CACFP requirements before participation begins.

The Sponsoring Organization shall visit each new potential child care home provider for which application is made. The purpose of this visit shall be to:

- Train the provider on CACFP requirements and Sponsoring Organization's policies
- Explain the Provider Application and the Agreement
- Review the provider's food service operation to determine if the provider can meet the CACFP requirements
- Determine that the provider is able to maintain the required records.

The Sponsoring Organization must document that a pre-approval visit was made and the above information was reviewed with the provider. Some of this information may be covered in a group training session, however, this does not replace the on-site pre-approval visit.

Section 7

Program Oversight

7.6

Provider Monitoring Visits

Monitoring Visits

Monitoring visits for child care homes under the Sponsoring Organization's jurisdiction shall be completed at least three times each year, with no more than six months between consecutive reviews. At least one review must be made during each new provider's first 28 days (four weeks) of CACFP operations. CACFP operations begin from the time a provider claims their first meal. The pre-approval visit does not count as one of the monitoring visits. One of the monitoring visits must be unannounced. The number of visits a new provider has during a FY will be determined when they begin claiming meals. The following schedule should be used as a guide:

New providers who begin claiming in:

- October – January require 3 visits
- February – May require 2 visits
- June – September require 1 visit

The Sponsoring Organization shall review at a minimum:

- Menus
- Meal count records
- Food storage areas are clean, sanitary and kept at the recommended temperature (refer to applicable county/state health codes and the Management Improvement Guidance, Provider Standards section)
- The use of creditable foods
- Sanitation relating to the meal service
- Enrollment and attendance records
- Enrollment documentation
- Adequacy of meal on day of visit

The following items shall be included on the monitoring form:

- Name of Sponsoring Organization
- Type of visit – 4-week, 1st, 2nd, 3rd; announced/unannounced; weekend/evening
- Date of review
- Arrival time; departure time
- Name of provider
- Number of caregivers present
- Names of children present
- Children for whom compensation is/is not received
- Names of children expected to arrive
- Type of home (e.g. DES) and staff to child ratio
- Menus are current
- Enrollment forms are current
- Correct meal times as stated on the application
- Family or unit meal service
- Meal attendance is current
- Meal observed and menu
- Meal/snack CACFP requirements met for child and infant
- Child and infant menus are up-to date
- Any menu errors; describe
- Menus/meals served provide variety
- Provider and reviewer's comments and signatures
- Fire evacuation plan is posted

7.6 Provider Monitoring Visits, continued

The Sponsoring Organization shall observe a meal service for at least two of the three monitoring reviews. Resolution of problems should be sought in the form of documented corrective action and noted in subsequent reviews within the required time frame. For providers claiming suppers, weekend meals, or providing shift care, at least one of the three monitoring visits should be made during these times (unannounced visits are strongly recommended). Documentation of each visit shall be retained in the provider's file.

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Section 7

Program Oversight

7.7

Provider Claim Edit Checks

The following information must be verified for 100% accuracy by the Sponsoring Organization:

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- The provider does not claim meals eaten by children at school
- Children claimed are eligible on the basis of age

Phone verification and recording of meal components by Sponsoring Organization is unacceptable, however Sponsoring Organization's may contact a provider for clarification when the menus are not legible.

The Sponsoring Organization shall establish meal claim edits that check all of the bulleted items listed above.

Section 7
Program Oversight

7.8
Sponsoring Organization Appeal Rights

**CHILD AND ADULT CARE FOOD PROGRAM
APPEAL PROCEDURES**

Child and Adult Care Food Program sponsors may appeal audits and/or reviews under one or more of the following conditions:

1. Your participation in the Child and Adult Care Food Program has been terminated.
2. Your participation has been denied.
3. An adjustment for reimbursement or an overpayment has resulted
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If you appeal, follow the procedures below:

1. A written request for an appeal must be received by the Department of Education no later than fifteen (15) calendar days after receipt of the audit or review report. Requests should be sent to the attention of Mr. Ralph Romero, Child Nutrition Appeal Official, Arizona Department of Education, 1535 West Jefferson, Phoenix, AZ 85007. The State shall acknowledge the receipt of the request for appeal within ten (10) calendar days.
2. You may refute the charges contained in the report in person and by written documentation.
3. Written documentation refuting the charges must be filed with the appeal official no later than thirty (30) calendar days after you receive the report.
4. You may retain legal counsel or be represented by another person.
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6. Any information on which the audit or review action was based is available for your review.
7. The appeal official shall make a determination based on the information provided by the Child Nutrition Programs Unit, Arizona Department of Education, and by you in accordance with the program regulations. The determination by the appeal official is the final administrative determination available to you.

7.8 Sponsoring Organization Appeal Rights, continued

8. You will be notified of the determination within sixty (60) calendar days of the Arizona Department of Education's receipt of the request for an appeal.
9. The action suggested by the audit or review report will remain in effect during the appeal process.

SECTION 8

ADDITIONAL MANAGEMENT RESPONSIBILITIES

Overview of Recordkeeping Requirements	8.1
Records to Support the Claim	8.2
Procurement	8.3
Purchase Methods	8.4
Awarding the Bid	8.5
Civil Rights Data Collection	8.6
Civil Rights Complaint Procedure	8.7

Section 8 Additional Management Responsibilities

8.1 Overview of Recordkeeping Requirements

Sponsoring Organizations are required to maintain records to support the monthly claim for reimbursement and compliance to program regulations. All CACFP records must be stored at a central location by the Sponsoring Organization. All records shall be retained for a period of five years after the date of submission of the final claim for the fiscal year to which they pertain. If audit findings have not been resolved, the records shall be retained beyond the end of the five year period as long as may be required for the resolution of the issues raised by the audit or review.

The Sponsoring Organization shall retain the following records in a central location identified in the management plan:

- a. **Copies of all menus.** Menus must be dated and indicate all components that were served. Menus must be maintained for each meal claimed for reimbursement.
- b. **Enrollment documents for each child claimed.** All children claimed for reimbursement must be enrolled at the home for care. Enrollment documentation must be complete and obtained by the Sponsoring Organization before any meals can be claimed for a child.
- c. **Meal count records.** Each monthly claim for reimbursement must be supported by meal count records for each meal served during the month. The meal count record must indicate the meal served to each child by type of meal (breakfast, lunch, supper, or AM, PM or night snack). The provider must record the meal served to each child daily. Records must support each child's attendance for meals claimed.
- d. **Financial records to support administrative costs reported on the monthly claim.** The following records must be maintained:
 - 1) copy of approved budget and any subsequent revisions
 - 2) copies of all original and revised claims for reimbursement
 - 3) receipts for any administrative costs charged to CACFP (postage, rent, printing, supplies, training, utilities, leases, etc.)
 - 4) time records to support personnel costs charged to CACFP signed by the employee and supervisor
 - 5) mileage records to support claims for mileage reimbursement
 - 6) voided checks
 - 7) copy of latest audit and any responses to the audit
 - 8) copy of latest review and responses
 - 9) copy (ies) of any contracts for personnel, equipment, or professional services
- e. **Income Applications.** An income application must be on file for a provider claiming "provider's own". Income applications must be updated annually.

8.1 Overview of Recordkeeping Requirements, continued

- f. **Documentation of staff training.** Staff must be trained at least annually on CACFP topics and issues. Documentation of training must include session dates, location, topics, and names and signatures of participants.
- g. **Documentation of training to providers.** Sponsoring Organizations must provide training to providers annually. Documentation of training must include session dates, locations, topics, and names and signatures of participants. Training funded by CACFP must be related to CACFP.
- h. **Documentation of monitoring.** Providers must be monitored for program compliance at least three times annually. Monitor review forms for the current fiscal year and past year should be kept in the provider's files for State Agency reviews. The date of the initial 28-day visit should be kept as a permanent part of the providers' files.
- i. **Documentation of the dates and amounts of disbursement to each provider.** Disbursements of reimbursement to providers shall be made within five working days from receipt of the reimbursement funds from the State Agency.
- j. **Documentation of Tiering determination.** Each provider file must have documentation supporting the Tier determination and documentation of provider notification of that determination.
- k. **Documentation of Tier II providers' reimbursement election.** Each Tier II provider file must contain documentation of the election of option of reimbursement chosen by the provider.
- l. **Additional documentation.** The following additional documentation must be retained:
 - 1) copies of all inspections, Child Care Standards, fingerprint clearance card and other supporting documents submitted for Alternate Approval,
 - 2) copies of DES/DHS certificates
 - 3) copies of all correspondence from State Agency,
 - 4) annual agreement with provider,
 - 5) provider application,
 - 6) all correspondence with providers,
 - 7) receipts for all CACFP payments received from State Agency. The Sponsoring Organization shall retain bank statements or bank receipts to verify that the check was deposited in the Sponsoring Organization's bank account,
 - 8) receipts claimed on grants rather than on the monthly claim, and
 - 9) civil rights information.

Section 8 Recordkeeping

8.2 Records to Support the Claim

The following records must be kept on file by the Sponsoring Organization to support the reimbursement claim:

Meal Count:

- Menus
- Enrollment forms for all children in care, including providers' own
- Meal count records
- Time and attendance tracking for regular and shift care
- Income application for providers' own children
- Tier determination

It is the Sponsoring Organization's responsibility to review each home's records for accuracy; any discrepancies should be corrected or meals must be disallowed.

Administrative Costs:

Records that must be kept on file to support administrative costs are:

- Payroll records and employee benefits
- Time sheets to support indirect charges
- Supply invoices
- Postage invoices and receipts
- Per diem or travel documents that can be traced to monitoring documentation
- Documentation to support indirect costs
- Invoices for purchased services

A Sponsoring Organization must verify that all administrative reimbursement received from CACFP is being used for administrative costs. All administrative dollars shall be used according to federal regulations and instructions.

Section 8 Additional Management Responsibilities

8.3 Procurement

Sponsors must comply with existing Federal, state and local procurement requirements. The underlying foundation of all procurement is that regardless of the method used, the procurement is conducted in a manner that provides maximum open and free competition. Procurement procedures shall not restrict or eliminate competition. Examples of competitive restrictions include, but are not limited to:

1. Placing unreasonable requirements on firms in order for them to qualify to do business;
2. Procurement practices, which encourage or foster noncompetitive practices, e.g., collusion between firms;
3. Organizational conflicts of interest which can occur when the individual(s) responsible for determining bid/proposal responsiveness can be overruled by another individual within the organization;
4. Inappropriate practices such as entering into negotiations with a firm prior to evaluating proposals, negotiating with any bidder at any time when the competitive sealed bid procurement method is used, providing only certain firms with the results of pre-bid meetings or releasing the contents of a bid/proposal to other bidders/proposal offerors; and
5. Unnecessary experience and bonding requirements.

To the extent possible, efforts must be made to include small, minority and women's firms on the solicitation list. These firms must be solicited when they are potential sources for purchased goods and services. When economically feasible, total requirements must be divided into small quantities and delivery requirements or schedules established to permit maximum participation by these firms.

When indicated, the services of the Small Business Administration and the Office of Minority Business Enterprise of the Department of Commerce should be used.

Institutions contracting for services shall maintain a written code of standards of conduct which governs the performance of officers, employees, or agents involved in the administration or award of the contract. No officer, employee, or agent shall participate in the selection, or in the award or administration of a contract supported by CACFP funds if a conflict of interest or a possible conflict of interest would be involved.

8.3 Procurement, continued

A conflict of interest is possible when an organization employs, or is about to employ, any of the following having a financial or other interest in the firm selected for award:

- The employee, officer, agent or board member
- Any member of his or her immediate family
- His or her partner

An institution's officers, employees, or agents shall also not solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to sub-agreements.

Section 8 Additional Management

8.3 Procurement – Leasing

1. Lease With Option to Purchase Agreements (See attached FNS Instruction 796-2)

Cost incurred under a lease with the option to purchase agreement for equipment, vehicles, and space (occupancy) are allowable when:

- a. Costs are specifically approved in writing by the State Agency
- b. Cost are prorated between program and non-program use
- c. Lease agreement is not a component of a sale-leaseback or related party agreement; and
- d. Terms of the lease agreement do not create a material equity in the property leased

Directly expensing the acquisition cost of property when a material equity has been created under a lease with option -to-purchase or rental-purchase agreement is not permitted in any situation.

2. Material Equity Leases

Cost charged to the program under rental/lease arrangements that create a material equity shall not exceed the allowable costs that would have been permitted had the institution purchased the property on the date the lease was executed. A material equity is created when:

- a. The lease/rental agreement is not cancelable, requires the property to be purchased if the lease/rental agreement is canceled, or is cancelable only upon the occurrence of some remote contingency
- b. The organization has the right to purchase the property at the end of the lease/rent term for a price that, at the beginning of the lease, appears to be substantially below the probable fair market value at the time it is permitted to purchase the property (commonly referred to as a lease with a bargain purchase option)
- c. Title to the property passes, without exercising a purchase option, to the institution at some time during or after the lease period
- d. The term of the lease (initial term plus periods covered by bargain renewal options, if any) is equal to 75% or more of the economic life of the lease property, i.e. the period the property is expected to be economically usable by one or more users; or
- e. A specific portion of the lease/rent payments is applied to the purchase price of the property, whether or not the purchase option is exercised

Section 8

Additional Management Responsibilities

8.4

Purchase Methods

There are four methods that can be used when purchasing goods or services. The methods are:

1. Small purchase procedures

Small purchase procedures are simple and informal procurement methods used in the purchase of goods and services that do not exceed, in the aggregate, more than \$10,000. When using the informal bid procedure, price or rate quotations shall be obtained from at least three qualified sources. For purchases of less than \$500 oral quotations may be used. Free and open competition must prevail when using small purchase procedures. The items or services to be purchased must be adequately and consistently described for each prospective vendor so that each one can provide price quotes on the same merchandise or service.

Documentation of the price and rate quotations must be kept on file for five Federal fiscal years and available for review. The lowest and best bid shall be accepted.

2. Competitive Sealed Bids - Invitation for Bid (IFB) (Formal Advertising)

This is the best method to use when the Sponsoring Organization wishes to have a fixed or firm price contract. This method of contracting cannot contain cost reimbursable provisions, including combinations of fixed fee and cost reimbursable provisions, even when those provisions contain a cap.

Factors to consider for competitive sealed bids are:

1. The Sponsoring Organization has identified exactly which services/products it wishes to contract for;
2. The Sponsoring Organization either does not wish, or lacks the needed experience, to negotiate price and contractual responsibilities with the contractor;
3. More than one contractor is willing and able to compete effectively for the contract;
4. Since the bid will be awarded to the responsible firm that submits the lowest responsive bid, the Sponsoring Organization must include sufficient information in the IFB to allow the Sponsoring Organization to determine whether the bid conforms to the IFB. The invitation must include the factors the Sponsoring Organization had identified and the minimum level of performance or experience that the contractor must demonstrate.

While overly restrictive requirements must be avoided in order to ensure adequate competition, poorly identified criteria can result in firms that are not able to successfully perform under the contract receiving the award. The Sponsoring Organization must use criteria which are measurable and the IFB must indicate how bidders will demonstrate compliance with these criteria. Normally this means establishing minimum levels. Open-ended criteria cannot be used in IFBs.

8.4 Purchase Methods, continued

5. The place and time the bids will be awarded must be included in the invitation as well as any information concerning pre-bid meetings.

Once the institution has made a choice to award the bid, a firm-fixed-price contract award shall be made by written notice to the responsive bidder whose bid, conforming to the invitation for bid, is lowest. Any or all bids may be rejected when there are sound documented business reasons in the best interest of the program.

3. Competitive negotiation - Requests for Proposals (RFP)

This method is effective when the Sponsoring Organization has identified what it expects a contractor to accomplish, but has not identified how it will be accomplished. Competitive negotiation is effective only when the sponsor will actually negotiate with prospective offerors.

Factors to consider for using competitive negotiation are:

1. The Sponsoring Organization must possess the technical skills necessary to evaluate the proposals and negotiate with the offerors.
2. The Sponsoring Organization's legal authority must be available to assure that the proposed contractual language reflects the agreement reached between the successful offeror and the Sponsoring Organization.
3. Under a cost reimbursable contract, the Sponsoring Organization must independently monitor the costs incurred under the contract for compliance with the appropriate OMB circulars, regulations and instructions.
4. The criteria that will be used to evaluate the proposals must be carefully prepared and included in the RFP. These criteria must be followed in evaluating the proposals.
5. The due date for proposal submission must be included in the request as well as any information concerning proposal meetings, if a performance bond will be required, the amount of the bond, and any requirements concerning the bonding firm.

4. Noncompetitive negotiation

This form of procurement is through solicitation of a proposal from only one source. This form of procurement can only be used when the item is available only from a single source. Contact the State Agency for approval if this form of procurement will be used.

All contracts in excess of \$10,000 shall contain suitable provisions for termination. Such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.

Section 8
Additional Management
Responsibilities

8.5
Awarding the Bid

Awards for the bid can only be made to responsible contractors that have the potential ability to perform successfully under the conditions of the invitation for bid (IFB).

Any criteria, other than cost, used to evaluate the bid should be clearly set forth in the IFB. Institutions must document the reason for selecting or rejecting a vendor. If the lowest bid price is not the determining factor, written justification must be maintained showing why one vendor was more beneficial than another to the Program.

All bids shall remain sealed and in a secure place prior to the bid opening.

Based on the bid evaluation, a firm-fixed-price contract award shall be made by written notice to that responsible bidder whose bid, conforming to the invitation for bids, is lowest.

Section 8 Additional Management Responsibilities

8.6 Civil Rights Data Collection

The CACFP must ensure that program benefits are made available to all eligible individuals without regard to race, color, national origin, sex, religion, age, or disability.

The Sponsoring Organization is required to determine the number of potential eligible children by racial/ethnic category for each area served by the organization on an annual basis. The sources for this data may include census data or public school enrollment.

Actual beneficiary data by racial/ethnic category for each family day care home under a Sponsoring Organization's jurisdiction shall be collected by the Sponsoring Organization each year. In order to fulfill this requirement, the Sponsoring Organization may collect the civil rights information regarding children on an ongoing basis on the child enrollment form, or it may be done annually through another process. This information must be compared to the estimated number of potential participants by racial/ethnic category for that target area and included on the Civil Rights Compliance Review that shall be submitted annually.

Sponsoring Organizations must:

- Display the "And Justice for All" poster for all patrons to see;
- Provide program materials for non-English speaking participants in the appropriate language; and
- Include the nondiscrimination statement and the procedure for filing a complaint on all published written information directed to potential enrolled children and their parents. The nondiscrimination statement is ***"The United States Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, or disability. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audio tape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, Write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer."***
- The abbreviated (short) version of the nondiscrimination statement reads ***"The USDA is an equal opportunity employer and provider"***.

New Sponsoring Organizations must also complete a pre-award Civil Rights assessment including an ethnic data compilation and review of the area to be served.

ALL WRITTEN MATERIAL REFERING TO THE CACFP USED FOR ANY EDUCATIONAL OR OUTREACH PURPOSE MUST INCLUDE A NONDISCRIMINATION STATEMENT.

Section 8

Additional Management Requirements

8.7

Civil Rights Complaint Procedure

Civil Rights complaints can be anonymous, written or verbal. They shall be accepted and forwarded through the State Agency. The complainant should also be advised that he/she may also send the complaint directly to the Secretary of Agriculture, Washington, DC 20250.

Every effort should be made to gather the following information:

- Name, address and telephone number or other means of contacting the complainant.
- The specific location and name of the entity providing the benefit.
- A description of a specific action or event that caused the complainant (an individual, applicants, participants or the public) to feel that discrimination was a factor. Thus, the complaint may involve a policy or procedure that would make one feel they were being treated differently, or were receiving a different level of service or benefit.
- What the complainant feels the discrimination is based on (race, color, national origin, sex, age or disability).
- The names, titles and business addresses of persons who may have knowledge of the discriminatory action.
- The dates during which the alleged discriminatory action occurred. If it is still happening, when did it start?

Complaints should be forwarded to:

USDA, Director,
Office of Civil Rights
Room 326-W, Whitten Building
14th Independence Avenue, SW
Washington, D.C. 20250-9410

SECTION 9

TIERING

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Section 9 Tiering

9.1 Sponsoring Responsibility Determination

Organization for Tiering

It is the Sponsoring Organization's responsibility to determine the classification of a family child care home as a Tier I, Tier II or Mixed Tier II home in accordance with the Program regulations. If the Sponsoring Organization is not able to verify that the home meets the Tier I criteria, the home must be classified as a Tier II home.

Sponsoring Organization must properly implement the requirements for Tier I and II classifications and maintain the appropriate documentation to support the determination of each family or group home. Sponsoring Organizations must maintain on file the supporting documentation used to determine the classification of the Tier I home for as long as the classification is in effect, plus five fiscal years. The reimbursement claims must be retained for five years after the end of the fiscal year to which they pertain, or longer if there is an ongoing audit or investigation. These files must also be made available to the State Agency, the Department, Food Nutrition Services (FNS), or the General Accounting Office for review or audit at any reasonable time and place.

Further instruction on Tiering determinations can be found in the USDA publication, **CACFP Eligibility Guidance for Family Day Care Homes.**

Section 9

Tiering

9.2

Tier I Determination

Child Care Homes participating in the CACFP are classified as Tier I homes either by virtue of area eligibility or by the providers' individual household income. Once the home has been determined as Tier I, all CACFP meals served to enrolled children are reimbursed at the Tier I rate. If the Tier I determination is based upon area eligibility, the provider must complete an income application and financially qualify in order to receive reimbursement for meals served to his/her own children. Tier I area eligibility is defined as:

- A child care home located in a area served by a school enrolling elementary students in which at least 50 percent of the total number of children enrolled are certified eligible to receive free or reduced price meals, or
- A child care home that is located in a geographic area, defined by a U.S. Census tract, in which at least 50 percent of the children residing in the area are members of households meeting the income standards for free or reduced price meals
- A provider's household income may also be used to classify a home as Tier I. The Sponsoring Organization must verify the provider's household income.

To verify the provider's household income the Sponsoring Organization must:

- For homes living in a Tier II area: Have a provider file a completed income application statement that lists all household members and their respective income, or provide categorical eligibility information on establishing household eligibility. If the provider is eligible by income, an income and expense sheet must be completed. When any other members of the household are working and contributing to the family unit income, a copy of at least two pay statements must be submitted to the Sponsoring Organization by all the working members in order to verify the income. If the provider does not fill out a income and expense sheet, a signed copy of the previous 1040 income tax statement must be used as verification of income.
- On the income application statement, verify the calculations are correct and the total household income and family size are within the current income eligibility guidelines.

When determining the area eligibility of a family child care home for Tier I benefits a Sponsoring Organization should review school data first since it is more recent and representative of a area's current socioeconomic status. A Sponsoring Organization must determine and document school attendance area information for each child care home. The State Agency is responsible for supplying Sponsoring Organizations with the annual Free and Reduced Price School Lunch report, as well as current elementary school boundary information.

9.2 Tier I Determination, continued

Classification Based on Categorical Eligibility of Provider - A provider may meet the criteria for free or reduced meals by qualifying for benefits from Food Stamps, the Food Distribution Program on Indian Reservation (FDPIR), or certain State programs providing Temporary Assistance to Needy Families (TANF) benefits. This information must be verified by the Sponsoring Organization using:

- A current “Notice of Eligibility” for Food Stamp benefits; current certification to participate in the FDPIR or certain State TANF programs; or award letters from the welfare department or other government agencies which describes the household’s eligibility to receive these benefits. (A Food Stamp document or one from another categorically eligible program that does not specify the certification period is not adequate for documentation). Please note that a copy of a public assistance program identification card or letter is not acceptable as verification unless it contains an expiration date.

Section 9

Tiering

9.3

Tier II and Mixed Tier II Determination

A family child care home that does not meet the criteria as a Tier I home is considered a Tier II home.

A Tier II home may still receive Tier I rates for those children enrolled in care who are individually determined to be eligible for Tier I reimbursement. These homes are determined to by Mixed Tier II homes. In order for this to occur any of the children's families must meet one of the following conditions:

- The family must be determined "income eligible". This process requires the parent(s) or guardian(s) to complete an income application and submit the form to the provider's Sponsoring Organization for tiering reimbursement determination. To maintain confidentiality of households of the applicants, Sponsoring Organization's are prohibited from making Tier I eligibility information available to their child care providers unless the parent has signed a waiver statement allowing that information to be shared with their child(ren)'s provider. Sponsors may only inform Tier II homes of the number of children determined by the sponsor as eligible for Tier I benefits. The provider has the option to decide if they would like to take advantage of this option, and must elect to do so in writing.

The Tier II provider must submit a written request to the Sponsoring Organization for this type of tiering determination. Providers are allowed to distribute the blank income applications to families of children enrolling in their care. Providers must be instructed that the income applications must be returned to the Sponsoring Organization by the families; typically Sponsoring Organizations will include a self-addressed stamped envelope with the parent income application to facilitate this.

- The family is categorically eligible by virtue of participating in the food stamp, Food Distribution Program on Indian Reservation (FDPIR), or certain State programs for Temporary Assistance to Needy Families (TANF). Please refer to the current income application for a complete listing of State programs meeting the Tier I reimbursement income qualifications. The State Agency will notify Sponsoring Organizations of any changes to these categorically eligible programs.

The Sponsoring Organization may reimburse Mixed Tier II providers on the basis of actual meal counts, a claiming percentage or a blended rate as approved by the State Agency. Claimed percentage rates must be recalculated at least every six months.

Section 9

Tiering

9.4

Elementary School Redetermination

Tier I determination based upon elementary school free and reduced price enrollment data is valid for a period of three years. If free and reduced price enrollment data is reduced to less than 50% in year two or three of the determination period, the provider is still classified as a Tier I provider for the remaining time frame. However new providers who subsequently enter the program and live in the same area, or who move within that area or from that area to another area and back, must be determined by the most recent data obtained. Therefore it is possible for two providers to live in the same elementary school area and be classified differently.

Section 9 Tiering

9.5 Income Eligibility Determination

It is the Sponsoring Organization's responsibility to compare the household size and the total household income to the income eligibility guidelines for the current fiscal year. Households must report current income on the income eligibility application. Current income is defined as income received on a recurring basis by the household during the month prior to completing the application. Sponsoring Organizations must consider the gross earned income (unless specifically excluded by legislation) unless the wage earner is self-employed in which case net income is considered for purposes of determination. Gross income is all income received before deductions such as income taxes, employee's social security taxes, insurance premiums, and bonds. Income includes the household's gross earnings, wages, welfare, pension, alimony and child support payments, unemployment compensation, social security and additional cash received or withdrawn from an other sources, including savings, investments, trust accounts and other resources. The following income sources do not have to be reported or counted as income in the determination of a household's eligibility for free and reduced price benefits. A list of these income exclusions are listed below:

- Loans- from financial institutions because it is a temporary source of income that must be repaid
- Student Financial assistance – funds received for the cost of attendance in an educational institution. Examples; grants and scholarships
- Military Housing (on base only) – On base military housing or any other in-kind benefit received from the military
- Occasional earnings – funds received on an irregular basis, such as occasional baby-sitting or mowing lawns
- Overtime earnings *only if the overtime is not regularly occurring; the threshold for “regularly occurring” consists of overtime earned during more than half of the pay periods for the previous year.*
- Cash income or benefits from Federal programs that are excluded by legislation;
 1. The value of assistance to children and their families under the National School Lunch Act, the Child Nutrition Act of 1966 and Food Stamp Act of 1977;
 2. Reimbursements from the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;
 3. And payment to volunteers under Title I (VISTA and others) and Title II (RSVP, foster grandparents, and others) of the Domestic Volunteer Service Act of 1973 to the extent excluded by that Act;

9.5 Income Eligibility Determination, continued

4. Payments to volunteers under section 8(b) (1)(B) of the Small Business Act (SCORE and ACE;
5. Income derived from certain submarginal land of the U.S. that is held in trust for certain Indian tribes;
6. Payments received under the Job Training Partnership Act (JTPA)
7. Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;
8. Payments received under the Alaska Native Claims Settlement Act;
9. Payments by the Indian Claims Commission or the Confederated Tribes and Bands of the Yakima Indian Nation or the Apache Tribe of the Mescalero Reservation;
10. Payments to the Passamaquoddy Tribe and the Penobscot Nation or any of their members received pursuant to the Maine Indian Claims Settlement Act of 1980;
11. Student financial assistance received under Title IV of the Higher Education Act of 1965, including the Pell Grant Supplemental Education Opportunity Grant, State Students Incentive Grants, National Direct Student Loan, PLUS, College work Study, and Byrd Honor Scholarship Programs, to the extent excluded by the Act;
12. Agent Orange Settlement Payments to veterans, that have been excluded under Public Law 10-201;
13. Payments received under the civil Liberties Act of 1988; and
14. Cash Assistance and Child Care Development Block Grant Fund (P.L. 104-193) benefits

Section 9

Tiering

9.6

Determination Verification

It is the Sponsoring Organization's responsibility to verify the providers' household income or categorical eligibility. The supporting documentation for household income and categorical eligibility should consist of:

- A current and dated "Notice of Eligibility" for Food Stamp benefits; current certification to participate in the FDPIR or certain State TANF programs; or a dated award letter from the welfare department or other government agencies which establishes the households eligibility to receive food stamps, FDPIR or certain State TANF programs
- Written evidence such as pay or wage stubs from the employers or letters from the employer confirming wages. If a letter is submitted by the employer, it must contain the household member's name, the date the income was received, the gross income received and the frequency in which the amount is received (i.e. the duration of the pay period). A pay stub missing any of this information is insufficient verification of income.
- Signed tax forms no older than the previous tax year
- Income and expense sheet
- Collateral contracts can be used but only in cases when the provider is not able to provide adequate written evidence. The collateral contract should come from someone that lives outside of the provider's household who is knowledgeable about the household's circumstances and can give accurate verbal confirmation of the household's income or food stamp or welfare receipt. Collateral contracts must be documented, dated and initialed by the Sponsoring Organization. Collateral contracts can be obtained verbally from employers, social service agencies, migrant workers agencies, and religious or civic organizations

The Sponsoring Organization must maintain supporting documentation verifying the provider's household or categorical eligibility. The Sponsoring Organization must retain either:

- All documents submitted by the household;
- Photocopies of the documents; or
- In situations where the actual documents or photocopies cannot be kept the sponsoring organization must make a written record of the documents submitted by the household including the type of document, e.g. wage stubs or letter from an employer, income shown on the document, time period of the income, and the date of document

SECTION 10 MEAL REQUIREMENTS

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Section 10

Meal Requirements

10.1

Types of Meal Service

Family Style meal service is a very common practice in family child care homes (Exhibit 10-1). Under this method of meal service, each child receives a portion of each meal component. “Seconds” of each meal component are readily available at each table. This method allows children to have small portions at first so that they are not overwhelmed by a plateful of food. Family style meal service is allowable under the CACFP if the following guidelines are met:

- Enough food must be placed on each table to provide minimum portions of each food for all children at the table and to accommodate adults supervising the meal service if they eat with the children.
- Children must initially be offered and encouraged to accept the full required portion of each meal component. However, the family style meal service allows children to make choices in selecting foods and the size of the initial serving.
- If the child initially refuses a food component or does not accept the full required portion, the supervising adult must actively encourage the child to accept the full minimum portion of each food component throughout the meal.
- Any food placed on the table may not be reused or served as a leftover at a later time. Food, which has been prepared, but not placed on the table, may be served later if properly stored and reheated to at least 165 degrees Fahrenheit (where appropriate). Milk should be poured just before meal service begins and not sit longer than 15 minutes.
- Providers may not claim “seconds” given to children for reimbursement.

When practicing Family Style meal service, a child may refuse or only partially consume the required portion.

Unit Service is a second method of meal service. Under the unit method, each child receives at least the minimum serving size of each component on the plate in order to be claimed for reimbursement under CACFP. All meal components must be served together. The provider is encouraged to eat with the children. Children may choose to refuse a component or partially finish what is placed on the plate. “Seconds” need to be available.

Section 10 Meal Requirements

10.2 Infant Meal Considerations

The Infant Meal Pattern allows for a gradual introduction of solid foods and encourages breast feeding or formula feeding up to the first birthday. The texture and amount of the feeding should be consistent with the age of the infant. For emotional, nutritional and physical growth, infants need foods that are rich in nutrients. Foods such as strained meat, fruit, vegetables, iron-fortified dry infant cereal, iron-fortified infant formula, and breast milk provide the maximum amount of vitamins and minerals for growing babies. A commercial food such as combination dinners or baby desserts are not creditable because water, sugar or starch is often listed as the first ingredient. Iron fortified cereal and creditable baby foods must be fed by spoon.

Parents can provide important information to help in the feeding of their babies. Providers should be encouraged to communicate frequently with the parents to coordinate foods served at home with foods served in care.

Mothers may provide breast milk or iron-fortified formula for their baby in care. Meals containing breast milk served to infants may be claimed for reimbursement. Meals containing iron-fortified infant formula served to infants may be claimed for reimbursement when the parent has approved the provider's choice of the formula in writing. The SO must maintain documentation of this approval in the files with the infant's child enrollment form.

If an infant requires food(s) different than what the CACFP requires, a medical statement must be on file and a substitute food must be listed on the statement. The caregiver may claim the meal(s) in this case.

One hundred percent fruit juice is creditable only at snack from eight months up to the first birthday. Juice should not be offered to infants until they are ready to drink from a cup as drinking juice from a bottle can promote tooth decay. **Never prop a bottle or give a bottle to a baby during naptime.** This can cause choking as well as tooth decay and ear infections.

Heating bottles or baby food in a microwave oven is not recommended because uneven heating can occur and burn the infant's mouth.

Section 10

Meal Requirements

10.3

Component Definitions

Milk

Milk means pasteurized fluid types of unflavored or whole flavored milk, lowfat milk, skim or cultured buttermilk, which meet state and local standards for milk. Children in the age group eight months to one year should be served unflavored whole fluid milk. Reconstituted dry milk is not creditable as fluid milk. Fluid milk is not a creditable meal component for children who have not yet celebrated their first birthday. Whole milk is recommended for children 1 and 2 years old. The fat in the milk contributes to the development of the central nervous system. After the child turns three years old, a reduction in milk fat is appropriate.

Meat

Meat and meat alternates include lean meat, poultry or fish, cheese, egg, cooked dry beans or peas, or nuts and seeds and their butters and should be specified as such. The exceptions are acorn, chestnut and coconut, or an equivalent quantity of any combination of these foods and their butters. Foods must be served in a main dish, or in a main dish and one item, to meet this requirement.

Cooked dry beans or peas may be counted as a vegetable or as a meat alternate, but not as both in the same meal.

Nuts and seeds may fulfill no more than one-half of the meat/meat alternate requirement for lunch/supper for CACFP and all of the meat/meal alternate requirements for the snack for CACFP. Peanut butter cannot be served as the only meat component for the lunch/supper meal.

Fruit/Vegetable

Small amounts of vegetables and fruits used for flavorings or as optional ingredients, such as garnishes or toppings, should not be counted to meet the vegetable/fruit requirement.

One hundred percent fruit juice must be served. Fruit drinks and ades are not creditable on the CACFP. If juice is diluted, the appropriate serving size of juice must be included.

Grains/Breads

Grains/breads include but are not limited to: cornbread, rolls, bagels, biscuits, cooked or cold dry cereal, pasta, noodles products or cereal grains. Grains/breads higher in sugar and fat may not appear on the menu more than twice a week and may only be served at breakfast and snack. Examples of grains/breads items higher in sugar and fat are: doughnuts, poptarts, sweet rolls, cookies, granola bars, rice krispie bars, and quick breads and muffins (such as banana, pumpkin, zucchini, etc.)

10.3 Component Definitions, continued

In order to be creditable, a grain/bread must:

- Be whole-grain or enriched or made from whole-grain or enriched meal or flour; or if it is a cereal, the product must be whole-grain, enriched, or fortified;
- Contain whole-grain and/or enriched flour and/or meal as the primary ingredient by weight as specified on the label or according to the recipe; or must be enriched in preparation or processing and labeled enriched;
- Must be provided in quantities specified in the regulations and in minimum serving sizes as specified in program guidance; and
- Must serve the customary function of bread in a meal

Section 10

Meal Requirements

10.4

Substitutions

Medical or Special Dietary Needs

Substitutions are allowed on a case-by-case basis for the basic meal requirements if a child is unable to consume the required food because of medical or other special dietary needs.

All exceptions must be supported by a statement from a recognized medical authority and maintained on file. A recognized medical authority may include physicians, physician assistants and nurse practitioners and dietitians.

The supporting statement shall include:

- a. An indication that the medical or dietary need restricts the child's diet; and
- b. The food(s) to be omitted and the food(s) that may be substituted.

For disabled children, where the disability is certified by a physician, substitutions must be made when their disability restricts their diet. These substitutions must be supported by a statement signed by a physician licensed by the State and maintained on file.

The supporting statement shall identify:

- a. The individual's disabling condition and an indication that the disability restricts the child's diet;
- b. The major life activity affected by the disabling condition; and
- c. The food(s) to be omitted and the food(s) that must be substituted.

Reimbursement for meals served with an authorized substitute food may be claimed at the same reimbursement rate as meals that meet the regular meal pattern.

Disabled person means any person who has a physical or mental impairment that substantially limits one or more major life activities, has a record of such an impairment or is regarded as having such an impairment. Physical or mental impairment means any psychological disorder or condition, cosmetic disfigurement or anatomical loss affecting one or more of the following body systems: Neurological; musculoskeletal; special sense organs; respiratory, including speech organs; cardiovascular; reproductive; digestive; genitourinary; hemic and lymphatic; skin and endocrine or any mental or physiological disorder, such as mental retardation, organic brain syndrome, emotional or mental illness and specific learning disabilities. The term "physical or mental impairment" includes, but is not limited to, such diseases and conditions as orthopedic, visual, speech and hearing impairments; cerebral palsy; epilepsy; muscular dystrophy; multiple sclerosis; cancer; heart disease; diabetes; mental retardation; emotional illness and drug addiction and alcoholism.

"Major life activities" means functions such as caring for one's self, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning and working.

Section 10 Meal Requirements

10.5 Parents Providing Food

To claim reimbursement for an infant meal, the provider must supply at least one credible component of that meal.

To claim reimbursement for a child's meal, the provider must supply all of the CACFP meal components. Food provided by parents cannot be counted as fulfilling any of the CACFP required components. If the parents provide an additional food such as cake for lunch or snack, and the provider provides the required components, then the meal may be claimed. It is strongly recommended that the required components be served before any additional or extra foods are offered.

Section 10

Meal Requirements

10.6

Meals Served at Other Locations

Meals purchased at a fast food establishment or restaurant may not be claimed for reimbursement when served to children. Meals “packed” at the home and sent with a child to eat at another location, without the supervision of the provider are not eligible to be claimed for CACFP reimbursement. Picnic lunches provided by the provider and supervised, can be claimed; however, care must be taken to assure that potentially hazardous foods are kept at temperatures below 40 degrees or above 140 degrees.

Section 10 Meal Requirements

10.7 Processed Food

Commercially Processed Foods

Commercially processed foods such as breaded meat or poultry products, frozen pizza, corn dog, ravioli, burrito or tamale cannot be counted toward fulfilling the meat/meat alternate requirement unless the provider has documentation, which can be used to determine the product's contribution to the meal pattern. Providers must use products that have a Child Nutrition Label or obtain a product analysis sheet from the manufacturer. In order to determine a product's contribution toward the meal pattern, the product analysis sheet must contain the following information:

- Weight of raw portion
- Percent of raw meat or poultry percent of fat of raw meat
- Percent dry vegetable protein products (VPP) if product contains VPP
- Percent protein of the vegetable protein product (on an as-purchased basis)
- Certification that the vegetable protein product used meets USDA-FNS requirements.

All documentation regarding commercially processed foods must be maintained in the sponsoring organization's files. If no information is on file at the time of a monitoring review, meals containing the processed foods may be disallowed.

Home Processed Foods

No home canned food can be used in the CACFP. The requirement stems from the concern over the safety of all children being served by the program. Home canned foods that are not properly processed can become spoiled. Jams and jellies are included in the category of home canned foods.

Wild Game

No wild game may be claimed as part of a reimbursable CACFP meal. Even when game is dressed and packed at a processing plant it is not a creditable food item.

Section 10 Meal Requirements

10.8 Meal Service Times

Providers should indicate on their application the actual meal service times in which they plan to serve meals. This will enable the sponsoring organizations to monitor the providers during actual meal service times. Meals must be served at conventional times, with the start of the meal falling within the time frames indicated below:

Maximum duration of food service per meal:

Meal	Maximum duration of claimable food service
Breakfast	1 ½ hours
AM snack	1 hour
Lunch	2 hours
PM snack	1 hour
Dinner	2 hours
Night Snack	1 hour

Customary meal times:

Meal	Maximum duration of claimable food service
Breakfast	6am – 9am
AM snack	Between B & L
Lunch	11am – 1pm
PM snack	Between L & D
Dinner	5pm – 7pm
Night Snack	After 7pm

Child care homes are eligible to claim breakfast, lunch, supper, mid-morning, mid-afternoon, and evening snacks. However only 2 meals and 1 snack or 2 snacks and one meal may be claimed for reimbursement per child per day.

Meals for School Aged Children

When school is in session, school aged children may not be claimed on CACFP for meals received at school. If the school offers a lunch program, school-aged children may be claimed on CACFP only during school holidays, breaks, and excused absences. The provider should note the circumstances surrounding the claimed meal.

Section 10 Meal Requirements

10.9 Criteria for Claiming Meals

Meals can be claimed for reimbursement under the following conditions:

- Creditable meals must be served. Refer to the current **Creditable Food Guide** for details on those foods, which can be used to meet the menu components.
- All required meal components must be served together for the meal to be allowable. In cases where a physician's statement is on file verifying that a child cannot have a particular food for medical reasons, an exception can be made. The medical statement must also list foods that can be substituted for the component or food item.
- A maximum of two meals and one snack are claimed per child per day.
- Claims for reimbursement are made only for children who are enrolled at the home. Meals claimed at any one time cannot exceed the authorized capacity of the home.
- Payment may be made for meals served to provider's own children or foster children only when:
 1. Such children are enrolled and participating in the child care program during the time of the meal service;
 2. Enrolled nonresident children are present and participating in the child care program. Children may or may not be for compensation;
 3. Provider's children meet the family-size income standards for free or reduced-price meals;
 4. Child care providers may not claim seconds; and
 5. If a school age child receives a breakfast, lunch or PM snack at school, a provider may not claim the same meal. For example, if a child receives a school lunch, leaves school and receives a lunch at a child care home, the provider may not claim the lunch. However, if it is a break, excused absence or holiday and the child has a lunch meal at the child care home, this lunch is eligible for reimbursement. Meals may not be claimed for school-aged children attending a school on the School Lunch Program, except during a period of school vacation or in the case an excused absence.

Family Style Meal Service: An Interpretation

May 1998

The Arizona Department of Health Services, Office of Nutrition Services has adopted the following definition of “family style meal service.”

Family Style Meal Service is an interactive process, allowing each child to participate in the preparation of the eating area, serving or passing of food, or clean up, in a manner which protects food and is consistent with good sanitation and public health practices.

Family Style Meal Service presumes a small group of four to eight children accompanied by one or more adults seated with the children engaged in conversation and facilitation of positive social interaction. The most effective Family Style Meal Service is when the adults eat with the children and partake of the same foods. The meal service includes scheduled meals or snacks provided to the children by the child care facility. It also includes the meal or snack a child brings from home which is part of the child care facility’s schedule.

Health codes state: “Food shall be adequately protected from all forms of contamination and that suitable means shall be employed to reduce manual contact with food to a minimum.”

A. Recommendations assuring “protection of food”:

1. The children’s water or juice container have lids and are labeled. A quart size container for self-pouring is recommended.
2. Milk is always served from its original container.
3. Food is served with the specific amount and portion size required for each group of children at a table.
4. Age appropriate utensils and serving dishes with lids are used for Family Style Meal Service. Prepared food is covered when not being served.
5. The adults at the table provide supervision, guidance, and direction as each child serves his or her food.
6. The adults at the table will assure that safe food practices are followed by:
 - Providing proper orientation, guidance, and practices with the children on how to serve one’s self, passing food, and use of safe food practices.

- Initially serving only required amounts into serving dishes for each group of children at a table. An adult will serve into the serving dish additional amounts as needed.
 - Replacing any food in serving dishes, which is coughed or sneezed on or touched by a child or an adult.
7. The children can prepare, cut, or spread their own individual portions on food items such as crackers or bread with cheese, vegetable dips, peanut butter or cottage cheese. Children can cut soft fruits or vegetables for their own serving.
 8. The children can participate in the mealtime activity in many ways, such as:
 - Setting their own places with utensils, cups, napkins, etc.
 - Arranging chairs, choosing places at the table and helping each other be seated.
 - Sorting dishes into bus pans, disposable into trash, scraping their own plates.
 - Wiping the table after meal service (adults will need to sanitize the table before and after meals and snacks).
 9. The children can participate in classroom cooking activities and still protect food from contamination by:
 - Preparing their own individual serving to eat and not preparing all or part of a food that will be eaten by others
 - Watching classroom demonstrations by the adult.
 - Handling fruits and vegetables with their skins or peel intact and letting the teacher do the cutting and combining.
 - Following adult direction and guidance.
 10. Other areas of importance that will help control spread of disease when preparing and serving food:
 - Purchase and prepare quality foods which provide the best nutritional value to the children
 - Teach children basic health and safety habits, such as, not exchanging food, not touching other's food, covering and turning away from food or others when coughing and sneezing.
 - Follow thorough hand washing procedures for adults and children when

preparing, serving, eating, clearing and after meals or snacks. Concentrate on training staff and children on handwashing.

- Making certain staff that change diapers do not prepare or serve food.

B. Practices which DO NOT fit the definition of “protection of food”:

1. Children touching and handling other children’s food.
2. Children coughing or sneezing into bulk containers or plates of foods served to other children.
3. Children trying to handle awkward or inappropriate sized serving utensils or containers and resorting to the use of their hands instead.
4. Staff providing little or no supervision or guidance.

MEAL PATTERNS FOR INFANTS

FOOD COMPONENTS	AGES 0 – 3 MONTHS	AGES 4 – 7 MONTHS	AGES 8 MONTHS – 11 MONTHS
Breakfast: 1 Iron-fortified infant formula or breast milk* 2. Iron-fortified, dry infant cereal 3. Fruit and/or vegetable of appropriate consistency**	4-6 FL. OZ.	4-8 FL. OZ. 0-3 TBSP. (OPTIONAL)	6-8 FL. OZ. 2-4 TBSP. 1-4 TBSP.
Lunch/Supper: 1. Iron-fortified infant formula or breast milk* 2. Iron-fortified, dry infant cereal and/or Meat or poultry or fish or Egg yolk or cooked dry beans or peas or Cheese or Cottage cheese, cheese food or spread 3. Fruit and/or vegetable of appropriate consistency**	4-6 FL. OZ.	4-8 FL. OZ. 0-3 TBSP (OPTIONAL). 0-3 TBSP. (OPTIONAL)	6-8 FL. OZ. 2-4 TBSP. 1-4 TBSP. 1-4 TBSP. ½ -2 OZ 1-4 OZ. 1-4 TBSP.
Snack: 1. Iron-fortified infant formula, breast milk, or full-strength fruit juice 2. Crusty bread*** or crackers***	4-6 FL. OZ.	4-6 FL. OZ.	2-4 FL. OZ. 0- ½ SLICE 0-2 (OPTIONAL)

* MEALS CONTAINING FORMULA PROVIDED BY THE INFANT'S PARENTS DO NOT QUALIFY FOR REIMBURSEMENT. However, meals containing formula served to infants 4 months of age or older may be claimed for reimbursement when the other required meal component or components are supplied by the caregiver.

** Juice does not fulfill the fruit/vegetable requirement at breakfast, lunch or supper.

*** Bread or crackers must be made from whole-grain or enriched meal or flour.

EXHIBIT 10-3

Meal Patterns for Older Children (Ages One through Twelve Years)

Food Components	Ages 1 - 2	Ages 3 - 5	Ages 6-12
Breakfast: 1. Milk, fluid 2. Vegetable, fruit, or 100% full-strength juice 3. Grains/breads (whole grain or enriched): Bread or cornbread, rolls, muffins, or biscuits or cold dry cereal (volume or weight, whichever is less) or cooked cereal, pasta, noodle products, or cereal grains	$\frac{1}{2}$ cup $\frac{1}{4}$ cup $\frac{1}{2}$ slice $\frac{1}{2}$ serving $\frac{1}{4}$ cup or $\frac{1}{3}$ oz $\frac{1}{4}$ cup	$\frac{3}{4}$ cup $\frac{1}{2}$ cup $\frac{1}{2}$ slice $\frac{1}{2}$ serving $\frac{1}{3}$ cup or $\frac{1}{2}$ oz $\frac{1}{4}$ cup	1 cup $\frac{1}{2}$ cup 1 slice 1 serving $\frac{3}{4}$ cup or 1 oz $\frac{1}{2}$ cup
Lunch or Supper: 1. Milk, fluid 2. Vegetable and/or fruit, or 100% full-strength juice (2 or more kinds) 3. Grains/breads (whole grain or enriched): Bread or cornbread, rolls, muffins, or biscuits or cooked cereal, pasta, noodle products, or cereal grains 4. Meat or meat alternates: Lean meat, fish or poultry (edible portion as served) or cheese* or egg or cooked dry beans or peas** or yogurt (low or nonfat) or peanut butter, soy nut butter or other nut or seed butters or peanuts, soy nuts, tree nuts or seeds or an equivalent quantity of any combination of the above meat/meat alternates	$\frac{1}{2}$ cup $\frac{1}{4}$ cup total $\frac{1}{2}$ slice $\frac{1}{2}$ serving $\frac{1}{4}$ cup 1 oz 1 oz 1 egg $\frac{1}{4}$ cup $\frac{1}{2}$ cup or 4 oz 2 Tbsps*** $\frac{1}{2}$ oz***	$\frac{3}{4}$ cup $\frac{1}{2}$ cup total $\frac{1}{2}$ slice $\frac{1}{2}$ serving $\frac{1}{4}$ cup 1 $\frac{1}{2}$ oz 1 $\frac{1}{2}$ oz 1 egg $\frac{3}{8}$ cup $\frac{3}{4}$ cup or 6 oz 3 Tbsps*** $\frac{3}{4}$ oz***	1 cup $\frac{3}{4}$ cup total 1 slice 1 serving $\frac{1}{2}$ cup 2 oz 2 oz 1 egg $\frac{1}{2}$ cup 1 cup or 8 oz 4 Tbsps*** 1 oz***
Snack: (select 2 of these 4 components)**** 1. Milk, fluid 2. Vegetable, fruit, or 100% full-strength juice 3. Grains/breads (whole grain or enriched): Bread or cornbread, rolls, muffins, or biscuits or cold dry cereal (volume or weight, whichever is less) or cooked cereal, pasta, noodle products, or	$\frac{1}{2}$ cup $\frac{1}{2}$ cup $\frac{1}{2}$ slice $\frac{1}{2}$ serving $\frac{1}{4}$ cup or $\frac{1}{3}$ oz $\frac{1}{4}$ cup	$\frac{1}{2}$ cup $\frac{1}{2}$ cup $\frac{1}{2}$ slice $\frac{1}{2}$ serving $\frac{1}{3}$ cup or $\frac{1}{2}$ oz $\frac{1}{4}$ cup	1 cup $\frac{3}{4}$ cup 1 slice 1 serving $\frac{3}{4}$ cup or 1 oz $\frac{1}{2}$ cup

cereal grains			1 oz
4. Meat or meat alternates:	½ oz	½ oz	1 oz
Lean meat, fish or poultry (edible portion as served)	½ oz	½ oz	1 egg or ½ c
or cheese*	½ egg or ¼ c	½ egg or ¼ c	¼ cup
or egg or yogurt	⅛ cup	⅛ cup	2 Tbsps
or cooked dry beans or peas**	1 Tbsp	1 Tbsp	1 oz
or peanut butter, soy nut butter or other nut or seed butters	½ oz	½ oz	
or peanuts, soy nuts, tree nuts or seeds			
or an equivalent quantity of any combination of the above meat/meat alternates			

* Natural or processed only.

** In the same meal service, dried beans or dried peas may be used as a meat alternate **or** as a vegetable; however, such use does **not** satisfy the requirement for both components.

*** No more than 50 percent of the requirement shall be met with nuts or seeds. Nuts or seeds shall be combined with another meat/meat alternate to fulfill the requirement. For the purpose of determining combinations, one ounce of nuts or seeds is equal to one ounce of cooked lean meat, poultry, or fish.

**** Juice may not be served when milk is served as the other component.

